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Mr. O. P. Macfarlane

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held
in the Court Room, Board of
Transport Commissioners Offices,
Ottawa, Ontario, on the 30th day
of March, 1960

COMMISSION

MR. M. A. MacPherson, Q.C.	Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.

Mr. G. S. Cumming

Mr. H. W. Ellicott Adviser

Mr. F. W. Anderson

Secretary

Major N. Lafrance

Assistant Secretary



Ottawa, Ontario,
Wednesday,
March 30, 1960

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please, gentlemen.

MR. McDONALD: Mr. Chairman, if I may at this point, I would file the Annual Report of the Canadian National Railways for 1959 as an exhibit. Copies have been distributed.

---EXHIBIT NO. 121: Annual Report of Canadian National Railways for 1959.

PAUL, George, recalled

CROSS-EXAMINATION BY MR. CUMMING:

Q. Mr. Paul, there are just a few points I would like to cover with you. On the first page of your brief, under the heading of General Observations, you point out to the Commission in that paragraph the marked changes which have taken place in Canada's transportation system during the past thirty years or more which, as you say, have seen the change in the position of the railways from a virtual monopoly to one in which they participate competitively with many other modes of transportation?

A. Yes.

Q. On the second page, under the heading of Subsidies, you point out that while the Association is not taking any general position for or against subsidies, its opinion is that freight rates would appear to afford an inefficient vehicle for distributing economic



1 assistance?

2 A. Yes.

3 Q. I was just wondering, does your Association
4 think that because of this change in the transportation
5 field, we have reached a time in Canada when we no longer
6 need to use transportation as an instrument of national
7 policy?

8 A. Yes, and in other respects we feel that
9 when subsidies are first put into effect they are put
10 in to help certain interests, and that with the passage
11 of time economic situations change also, which, in our
12 opinion, changes the necessity or otherwise of the sub-
13 sidy as originally envisaged.

14 Q. And that, I suppose, is the reason for
15 the recommendation later on in your brief for periodic
16 reviews of subsidies?

17 A. Yes.

18 Q. What I was thinking of particularly are
19 such instances as, say, the Maritime Freight Rates Act.

20 A. Yes.

21 Q. There is an Act designed for what might be
22 described as regional relief, and that is being done
23 through the medium of a reduction in transportation rates
24 which are payable. Now, in the light of these remarks
25 about the changes and your expressed views on subsidies,
26 do you think that assistances such as are provided under
27 the Maritime Freight Rates Act ought not to find a place
28 in national transportation policies?

29 A. I do not think now that they should find
30



1 their place in the freight rate structure.

2 Q. And then it would follow from that, I
3 suppose, that if regional assistance is to be given that
4 there should be some other method -- either a direct
5 payment to shippers, or something of that sort?

6 A. Yes, we believe that the effectiveness
7 of subsidies is by direct payments to those that are
8 intended to be subsidized.

9 Q. And I suppose that same principle would
10 apply if northern development is to be promoted -- it
11 should be done by direct subsidy if subsidization is
12 necessary, rather than through the medium of transporta-
13 tion agencies?

14 A. Yes. I think it is generally recognized
15 that when subsidies are paid or done through the freight
16 rate structure in a lot of cases they create inequities
17 in the freight rate structure.

18 Q. In other words, a subsidy designed to
19 eliminate one inequity creates another?

20 A. Yes, and defeats some of the principles
21 which the Railway Act, really, is aimed against.

22 Q. Just so we may understand the position of
23 your Association, you have these views as a matter of
24 principle -- that is, that subsidies ought not to be
25 handled through the rate structure?

26 A. Yes.

27 Q. Are you suggesting to this Commission that
28 it should recommend that the Maritime Freight Rates Act
29 be repealed and replaced with direct subsidy of some sort?
30



1 A. No, we don't go that far, but we recommend
2 that this Commission should investigate all of these
3 subsidies that are presently handled through the freight
4 rate structure to find out, first, if they are accomplish-
5 ing the purpose for which they were originally intended,
6 and if there is any other more effective means of accom-
7 plishing that result than through the freight rate
8 structure.

9 Q. But you are not at this stage, and before
10 any such studies may be undertaken, recommending that
11 any of the existing subsidies be abolished?

12 A. No, we don't take any position in that
13 respect. We think that is a matter for Parliament to
14 decide.

15 Q. The Province of British Columbia, in its
16 brief, is recommending that the bridge subsidy be abolish-
17 ed: I take it your position is that it should just be
18 looked at before any such step is taken?

19 A. Yes, we go so far as to say it should be
20 abolished from the freight rate structure, and if Par-
21 liament in its wisdom feels some subsidy is necessary,
22 then, it should be paid direct to the people who are
23 affected.

24 Q. I may have missed your point here. You
25 would say that all these existing subsidies should come
26 out of the freight rate structure, but if they are
27 necessary for regional relief, or for whatever purpose
28 they may have been originally set up, they should be
29 continued but in a different way?



1 A. In a more direct way -- that is, if that
2 is possible. There may be occasions where the freight
3 rate structure may be the only means of accomplishing
4 that.

5 Q. And that is what you mean when you say
6 they should be utilized only where no other method of
7 assistance is available or more direct methods would give
8 rise to administrative complexities?

9 A. Yes.

10 Q. And those, I take it -- particularly the
11 prospect of administrative complexities -- are the only
12 bases which your Association would find subsidies through
13 the medium of transportation rates acceptable?

14 A. Yes.

15 Q. Further down on the first page of your
16 brief you refer to the transformation in railroading as
17 a result of technological developments and the impact
18 that that has had on the railways' share of freight
19 tonnage, and you go on to say, "The rail carriers have
20 attempted to meet this challenge by the introduction of
21 new services and the establishment of competitive rates
22 of one form or another . . ." Do you feel that the
23 rail carriers have done all that they could in their
24 attempts to meet the challenge of competition from other
25 modes of carriage?

26 A. Well, I would not like to go that far.
27 I think they have tried their best to meet the situation
28 as it arose.

29 Q. On a sort of a day-to-day basis?



1 A. Well, as they come up -- as the competition
2 appears.

3 Q. Are there other areas which have not been
4 investigated by the railways where you think they can
5 do something more to meet this competition?

6 A. Well, it is a continuing problem, sir, and
7 it is a matter that the railways will have to check from
8 day to day as the competition arises.

9 Q. Does your Association have any views on
10 the entry by the railroads into other fields of trans-
11 portation -- that is, other than rail itself?

12 A. We have no objection providing that it
13 does not create a monopoly in transportation services.

14 Q. We heard some expression of views in
15 Quebec from the Quebec Truckers Association protesting
16 the entry of the railroads into road transportation, and
17 the basis of their objection appeared to be, from their
18 brief, that there was a very serious danger that that
19 would result in the elimination of competition in
20 transportation. Does your Association feel there is
21 any serious danger, from the point of view of the ship-
22 ping public, of the elimination of competition?

23 A. Well, I don't think we are too apprehen-
24 sive at the present time, but we feel there should be
25 the widest area of competition in the transportation
26 services, and if the fact that the railroads took over
27 trucking companies for the purposes of eliminating that
28 competition, or reducing competition, then, we would
29 object.
30



1 Q. How, then, can that be controlled? If
2 you feel it is important to preserve and promote com-
3 petition in the transportation field, how should the
4 entry of the railways into the trucking business be
5 controlled, having those objects in mind?
6

7 A. Well, I just can't give you a full answer
8 to that, but at the present time the competition with
9 respect to that feature is so widespread, and there are
10 so many truckers involved, that I don't think there is
11 any immediate danger of that situation arising.
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18 (Page 9864 follows)
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2 Q. This is something which might develop
3 in the future, and at that time perhaps some steps may
4 necessarily be taken?

5 A. I am sorry --

6 Q. I say, this is something that may develop
7 in the future; you can see no serious problem at the
8 present time, but if it comes about at some future time,
9 then you feel that possibly some restriction should be
imposed?

10 A. Yes; and I think too, that that is a
11 matter that is well within the control of the provincial
12 authorities.

13 Q. So for the time being, anyway, you let
14 the matter rest as it stands?

15 A. Yes, and just let's have as much compet-
16 ition as possible.

17 Q. Going on with that thought on page 2
18 of your brief, at the end of the first complete para-
19 graph, you suggest that in order to facilitate experi-
20 mentation by the railways with new services and pricing
21 practices, restrictions on rates and services of the
22 carriers should be imposed only to the degree necessary
23 to protect elements of the community, including the
24 carriers, including unjust discrimination or unreasonable
25 treatment.

26 Is there anything in the present legislation
27 or in the practices of the Board of Transport Commissioners
28 which militates against that freedom that you advocate
29 should be enjoyed by the railways?
30

A. No, we don't think there is.



1
2 Q. You have no specific changes to recommend
3 in the legislation, for instance?

4 A. No, we do not, as long as the railways
5 have the opportunity as they have at the present time to
6 meet whatever competition they want to meet.

7 Q. What about the matter of line abandonments?
8 Do you think that situation as it stands at the moment
9 is satisfactory?

10 A. You mean the law with respect to abandon-
11 ments?

12 Q. Yes, and the policy of the Board in its
13 dealings with applications for line abandonment?

14 A. Yes, we would say it is satisfactory.

15 Q. And do you feel that the railways are
16 doing enough in the way of abandonment?

17 A. Well, I am not in a position to say that.
18 I would say that is a matter for the railroad manage-
19 ment to decide.

20 Q. Purely a matter of managerial discretion?

21 A. I would say so.

22 Q. Dealing with the question of the freedom
23 on competition again, is it your view that that same
24 freedom should apply to truck operators as well as to
25 railways?

26 A. To all classes of operators.

27 Q. And should the trucks, in company with
28 that, be under the same kind of restriction that you
29 advocate here, that is to the degree necessary to protect
30 elements of the community against discrimination or
unreasonable treatment?



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A. In principle, but --

Q. In principle you would say that should apply to rail, trucks and any other mode of transportation?

A. Yes, if the situation were the same. I don't think that the situation with respect to trucks is in the same category.

Q. And perhaps you could just amplify that for us. What is the difference?

A. Well, in the case of rail transportation you have got two large operators, you might say, whereas in the trucking operations you have got thousands of operators, which puts a very different complexion on the matter of regulation.

Q. Just in what way? The mere existence of these additional - I want to understand where you find the difference.

A. From the standpoint of competition you have got all this big group of truckers in competition with one another.

Q. Free to vie with one another for any particular bit of traffic, and so on.

A. Yes, and their relative economic power is much less individually than in the case of railways.

Q. Under the heading of "National Transportation Policy" you suggest that a system of transportation should be considered as a whole and a national transportation policy enunciated which will afford equitable treatment to these respective segments and foster and preserve an over-all transportation system



1
2 adequate to meet the needs of commerce and the nation.

3 I wonder if you would be good enough, for the
4 assistance of the Commission, to tell us what you
5 would regard as the hallmarks or criteria of a trans-
6 portation policy such as you outline there which would
7 achieve that desired object.

8 A. Well, I would think some of them are
9 already covered in the principles in our brief. We
10 think that each media of transportation should be allowed
11 to develop and operate in the areas in which they are
12 best suited and that nothing should be placed in the way
13 of allowing the various media of operators to develop
14 and seek the traffic or the areas in which they are
best suited to serve.

15 Q. Do you think we can have one national
16 policy in Canada, Mr. Paul, or must it necessarily be
17 a sum of or perhaps a series of regional policies.

18 A. Well, from the standpoint of administration
19 I think you are probably correct, because the medium
20 of trucking comes under the jurisdiction of the prov-
21 inces, whereas the rails come under federal jurisdiction.
There would have to be some co-ordination there.

22 Q. Those are jurisdictional problems that
23 you see in a particular policy?

24 A. Yes.

25 Q. I was thinking not only of that but
26 economic considerations which may vary from region to
27 region. Must this policy not adjust or bend to the
28 needs of regions? Take the maritimes and one of the
29 prairie provinces as another?
30



1
2 A. I think you could formulate a transport-
3 ation policy based on principles that would apply
4 anywhere.

5 Q. And the key of your principles in any
6 policy is one of freedom from restrictions to the greatest
7 extent possible?

8 A. Yes.

9 Q. That is still your cornerstone of any
10 transportation policy?

11 A. Yes.

12 Q. When you were dealing with this recommen-
13 dation that you make on page 3 on subsidies - you may
14 have already answered this - are there any particular
15 subsidies which led you to make the recommendation that
16 this review be made? Are there any areas where you
17 think that the original purpose of the establishment of
18 the subsidy or the relief has been lost sight of and
19 the subsidy is not achieving that purpose any longer?

20 A. Yes. The ones that we considered are
21 the ones that were related to the freight rate system,
22 that is the Maritime Freight Rates Act, the so-called
23 bridge subsidy, and the recent \$20,000,000 subsidy.

24 Q. Those are the three --

25 A. Principal ones that we considered, yes.

26 Q. When you say they should be reviewed,
27 have you any suggestion as to what agency should review
28 them, by whom they should be reviewed?

29 A. We haven't considered that question, sir.
30 I think the logical one would be the Board of Transport
Commissioners, who are --



1
2 Q. In your opinion technically equipped for
3 it?

4 A. Yes, that is right, they have the equip-
5 ment to do it.

6 Q. Coming back for a moment to this question
7 of regulation, I just wanted to get your thoughts on
8 this sort of suggestion. There are certain areas in
9 Canada where all modes of transportation are available
10 to shippers; I am thinking, for instance, of central
11 Canada where the forces of competition find perhaps
12 their freest play, and there are other areas where those
13 competitive modes of transportation are not available.
14 Do you think it at all practical that in areas where
15 competition exists in all its glory, if I may put it
16 that way, there should be this complete freedom that
17 in other areas where that competition does not exist
18 and therefore monopoly situations may prevail, that in
19 those areas some method of regulation and control over
20 those areas should be preserved? Do you think it
21 would be a proper division?

22 A. I don't want to evade answering that.
23 I just don't know how to solve that.

24 Q. I can appreciate that one of the things
25 that is probably troubling you is administrative
26 difficulty?

27 A. And another thing, I would like to qualify
28 that statement you made about wide open competition.
29 We qualify that and would restrict it to protect
30 against unjust discrimination or unreasonable treatment.

Q. I realize that; I should have perhaps



1
2 included that. I wasn't trying to put it on any
3 different basis than you had in mind.

4 A. Well, that is a matter that I don't see
5 that we can answer. There may be some isolated areas,
6 as you point out, that have that problem; but I would
7 think the effect generally would be very small and
8 limited in that area.

9 Q. Now, you come along at the bottom of
10 page 3 and on to page 4 to the question of the Crow's
11 Nest statutory grain rates, and on page 4, you say:

12 "...that there should be a thorough investigation
13 of this matter to resolve whether the level of
14 these statutory rates is compensatory. Also to
15 determine whether, in the competitive atmosphere
16 in which the railways operate today, it is in the
17 public interest to perpetuate any distortion which
18 may be deemed to exist in the prevailing freight
19 rate structure attributable to the exemption
20 enjoyed by traffic moving under these statutory
21 rates ..."

22 I take it if there is found to be a deficit,
23 you feel it should be subsidized by the national treasury.
24 Is that the position of your association?

25 A. Well, I would say our position is that
26 subsidies should only be paid as a last resort; that
27 is if the rates are found to be non-compensatory and
28 if the shippers or the interests there are unable to
29 pay compensatory rates, then we would favour adjustment
30 on the basis of subsidy if it is in the public interest.

Q. All right, Mr. Paul, I appreciate that



1
2 situation.

3 I want to ask you one more question on these
4 Crow's Nest rates, but I would preface it this way,
5 that if the question I am going to ask you is going to
6 lead to a long discussion between my friends for the
7 railways and my friends for the provinces, I am going
8 to withdraw it.

9 Assuming that, after the investigation of the
10 movement of grain to export positions under the statutory
11 rates, there is found to be a deficit, and assuming
12 as well that it is found to be in the national interest
13 that the rates to the farmer being paid at the present
14 time be not increased, have you any views as to the level
15 which should be set for the difference to be paid
16 to the railways by way of a subsidy for that movement?

17 A. Well, I would say the railways are entitled
18 to compensatory rates on the traffic.
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1 Q. Would that compensatory rate, in your
2 opinion, properly be at a level which would return to
3 the railways the fully distributed costs of their move-
4 ment of grain to export positions?

5 A. Yes, I think it should include that.

6 Q. It would be at that higher level, would
7 it?

8 MR. MAURO: Maybe Mr. Cumming could ascertain
9 whether Mr. Paul agrees with Mr. Cumming as to what
10 fully distributed costs are.

11 MR. CUMMING: I will come to that in a moment.
12 This question of fully distributed costs or total costs
13 has been used in these proceedings.

14 MR. SINCLAIR: They are not the same thing.
15 Fully distributed costs, technically -- nobody, as far
16 as I have known, in this case in respect of grain has
17 asked for fully distributed costs.

18 THE CHAIRMAN: Mr. Roberts uses the term "full
19 costs".

20 MR. SINCLAIR: Total costs.

21 THE CHAIRMAN: Total costs.

22 MR. SINCLAIR: That is on total costs as
23 calculated in a certain manner, but fully distributed
24 cost is a different matter economically and in every
25 other way. That is where I got into this matter the
26 other day.

27 MR. CUMMING: Mr. Chairman, I think we might
28 like to hear Mr. Paul's view on this matter. I do not
29 want to invite him into the maelstrom of controversy.
30



1 THE CHAIRMAN: What should the railway
2 make by way of profit.

3 MR. CUMMING: Thank you, Mr. Chairman, for
4 putting it that way. Perhaps we may hear Mr. Paul's
5 view.

6 THE WITNESS: We think that the traffic should
7 bear its variable costs plus a contribution towards the
8 fixed costs and profit.

9 MR. CUMMING: Q. A contribution towards
10 fixed costs and profit ?

11 A. Yes.

12 Q. If any such subsidy is paid or is to be
13 paid for that movement, Mr. Paul, does your Association
14 have any views as to any conditions that ought to be
15 attached to the provision for a subsidy? What I have
16 in mind here is the recommendation from British Columbia,
17 for instance, that if a subsidy is to be paid there
18 should be downward adjustments in other rates?

19 A. Well, in that respect we would say that
20 if, as a result of the railroads' receiving compensatory
21 rates which have such an effect on their earnings as
22 to reach or go beyond the formula laid out by the
23 Board of Transport Commissioners, then there should be
24 an adjustment in the rates based on whatever amount
25 that comes to over that formula.

26 Q. But only to that extent?

27 A. Yes.

28 Q. Would you think that there should be any
29 conditions as to time on a subsidy for that movement,
30



1 and what I have in mind when I ask you that is this.
2 Would you suggest, for instance, that there be a time
3 limitation imposed on the grant of such a subsidy of
4 some number of years in order to give the railways
5 perhaps a time within which to rationalize the railway
6 plant in the period and region? Do you contemplate
7 conditions of that sort?

8 A. No, except that I think that subsidy should
9 be subject to the same recommendation that we made with
10 respect to subsidies.

11 Q. Subject to a periodic review?

12 A. Should be reviewed from time to time, yes.
13 Any kind of subsidy or assistance payments.

14 Q. It would have to be justified at each of
15 those periodic reviews?

16 A. Yes, I think any money that comes from
17 the taxpayers should be reviewed to make sure that it is
18 achieving its purpose.

19 Q. Thank you, Mr. Paul. On page 5, in
20 the first complete paragraph, you refer to the question
21 of the revenue deficits incurred by passenger service,
22 and on the next page, at the end of this branch of your
23 submission, in the last sentence, you say:

24 "It is further recommended that the freight
25 rate structure should not be burdened with these
26 passenger deficits."

27 Mr. Paul, if the passenger deficits -- assuming that
28 there are some, and it appears that there are -- are not
29 to be met from freight revenues, and if passenger services
30



1 are to be continued, what is your solution to that
2 problem?

3 A. Well, I do not think we have a solution
4 for these two "ifs", but we do not think that the
5 general taxpayers should have to pay for services that
6 are furnished in the passenger service. We think the
7 people who use the service should pay for it, generally
8 speaking.

9 Q. Just so that we can have the position
10 clear, you do not want any passenger deficit carried
11 by and creating a burden on the freight shipper, for
12 instance?

13 A. Correct.

14 Q. That takes it out of that field?

15 A. Yes.

16 Q. And you do not suggest it be subsidized
17 in any other way?

18 A. No, we do not.

19 Q. It should be on a purely self-sustaining
20 basis if possible?

21 A. Yes.

22 Q. Does it follow from that that if it can-
23 not pay its own way you would suggest it be abandoned?

24 A. Well, as a last resort, yes.

25 Q. This is not an area in which even as a
26 last resort you would consider there ought to be any
27 subsidy paid?

28 A. No, but there may be situations whereby
29 a contribution from the national treasury may be justified,
30



1 and in that area I mean where the passenger service is
2 maintained or retained for purposes of the army, say,
3 or for national defence or some area like that, in which
4 case, if as a matter of national policy we think that
5 the railways should have to keep that service, then
6 whatever expense there is with respect to that segment
7 of it should be paid by the national treasury.

8 Q. Are there any other considerations as
9 elements of national policy apart from a defence con-
10 sideration that you mentioned, which in your opinion
11 would justify a subsidy of passenger deficits?

12 A. There may be others. I would say, in
13 areas where from a municipal or provincial or even
14 national level they want passenger services continued
15 at a loss, then those particular levels of government
16 should pay these losses.

17 Q. You have anticipated what I was going to
18 ask you next. If the continuation of a passenger
19 service could not be justified as a matter of national
20 policy but only as a purely local one and divided
21 between municipal and provincial, you would think that
22 those local considerations may be such as to justify
23 subsidies at the local, municipal or provincial level?

24 A. Yes.

25 Q. I see. At the bottom of page 5 you refer
26 to a report recommending an investigation by a Committee
27 of Congress as follows, in paragraph 2:

28 "An exploration of those public expenditures
29 which operate to the disadvantage of the railroads."
30



1 What is referred to there as "public expenditures which
2 operate to the disadvantage of the railroads"?

3 A. Well, the report, I believe, referred
4 to payments which are paid by the public to support
5 facilities of the railroads' competitors such as the
6 building of airfields and waterways and things like that.

7 Q. And highways, I suppose?

8 A. Yes, if they come within that category.
9 Any category like that where public money is used to
10 help the competitors of the railroads.

11 Q. Now, let us assume that this sort of study
12 is conducted and it is found that large sums of public
13 money are being used on the construction and maintenance
14 of highways. That is one of the areas that is referred
15 to in this comment here, isn't it? Do you think that
16 the highway truckers should be called upon to pay their
17 full share of the construction and maintenance of
18 highways?

19 MR. HUME: Before Mr. Paul answers that --
20 what is a full share? If Mr. Cumming means paying for
21 the entire highway to the exclusion of private truckers
22 and automobiles and defence requirements, that is one
23 thing, but Mr. Cumming is using the words "full share".

24 THE CHAIRMAN: I think that would be a rather
25 complex study.

26 MR. HUME: It would be very.

27 MR. CUMMING: I appreciate Mr. Hume's concern
28 over this and the complexity of any study on that matter,
29 but perhaps I may put it this way to get Mr. Paul's view
30



1 on the matter.

2 Q. Assuming that it could be determined by
3 a study what the proper share or the fair share --
4 perhaps those terms might be acceptable to my friend --
5 of trucks' contribution towards highway maintenance and
6 construction could be determined, assuming that that
7 could be ascertained and assuming as well that the
8 taxes and licence fees do not cover it, is it your
9 position that the taxes and fees and so on imposed on
10 trucks should be raised to meet what may be determined
11 to be their proper share?
12

13 A. Well, we believe that the truckers or
14 any other transportation operator should pay their way.

15 Q. And you would apply that to air lines
16 as well?

17 A. Yes.

18 Q. On page 6 you deal with the question of
19 the Canadian National-Canadian Pacific Act, which you
20 suggest should be more liberally invoked by the two
21 transcontinental railways to promote cooperative
22 measures. Is it the view of your Association that
23 those statutory provisions for cooperation between the
24 railways should be left entirely to the initiative of
25 the railways?

26 A. Well, we think they are the people prin-
27 cipally interested.

28 Q. They are the people principally interested?

29 A. Yes, and if you are referring in that
30 question with respect to the passenger services and



1 deficits -- were you?

2 Q. Well, that could come into it.

3 A. Yes. Well, in connection with the
4 passenger deficits generally, I think our position is
5 clear, that we think they should be made to pay -- the
6 people that use the services should pay for the service.
7 Now, if the railways cannot reduce their expenses on
8 these services or reduce the services or through coopera-
9 tion with one another cannot make ends meet, then they
10 should be allowed to abandon the services or, as I have
11 already explained, these other interested ---

12 Q. Governmental levels?

13 A. Government departments want the services
14 continued, then it should be made up in that way.

15 Q. Dealing further with this question of
16 cooperation between the railways, you think
17 they should be able to cooperate in such matters as
18 joint terminals, and of course you have mentioned the
19 elimination of duplicate services and that sort of
20 thing?

21 A. Yes.

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23
24
25 (Page 9882 follows)
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1
2 Q. Now, supposing they drag their feet and
3 do nothing along this line or do not do enough, do you
4 feel that the initiative to bring about that degree
5 of co-operation should be placed elsewhere than with
6 railway management?

7 A. Well, I think we can put the initiative
8 on the railways in this way, take the position they are
9 not going to be allowed to take passenger deficits into
10 consideration when reviewing general increase require-
11 ments for the railways. If that were removed they
12 would then have to do something.

13 Q. You do it on an incentive basis rather
14 than on a compulsion basis?

15 A. Well, both incentive and compulsion in that
16 respect.

17 Q. Would you extend that view into areas of
18 railway operation other than passenger deficits, other
19 than passenger lines?

20 A. The same incentive, you mean?

21 Q. Yes.

22 A. Yes.

23 Q. In other words, your position, I take it,
24 would be this, that the railways could go before the
25 Board for a general revenue case and it is suggested
26 in answer to such an application that they have not done
27 enough in the way of eliminating double services in
28 their freight operations, that they have not effected
29 the economies that they could by the establishment of
30 joint terminals and matters of that sort, that their
application for revenue increases should be held up or



1
2 refused in order to force them in practical effect to
3 introduce such co-operative economies?

4 A. Well, I think in the case of general
5 increase applications these matters are brought up
6 before the Board by the interested parties.

7 Q. Well, the judgments in these will probably
8 speak for themselves. In any event, your association
9 is of the view that that is the way you would bring
10 about this desired result?

11 A. Yes. We think probably it is a matter
12 for railway management to handle and that there are
13 incentives and so on in there which would make them
14 put these deficit services on a paying basis.

15 Q. What would you think of the Board, let us
16 say, as a presumably appropriate agency taking upon
17 itself outside the ambit of revenue cases to look at
18 various areas of railway operation and go to the railways
19 and say, "We think you can effect an economy by abandoning
20 this or co-operating in this way and that way" and then
21 forcing the railways to do just that.

22 A. Well, I would not say that, Mr. Cumming.
23 I think that would be contrary to what we have said
24 previously that we should unhamper the railway or any
25 other agency to develop their own business.

26 Q. You do not want the Board interfering
27 with the railway management in that manner?

28 A. Well, if it is a case of something that
29 the railways refuse to do which is apparent and which
30 would involve economies and so on, that is a different
matter, but on a general principle we think that is a



1
2 matter for the railways, that is their function.

3 Q. Just one other point --

4 COMMISSIONER MANN: Are you leaving that
5 point now?

6 MR. CUMMING: Yes.

7 COMMISSIONER MANN: Would you mind if I try
8 to get this a little straighter? You say that you will
9 allow the Board to do that, to look into railway
10 economies during the course of a general revenue case.
11 That is all right, you say if I have understood you
12 rightly.

13 THE WITNESS: Well, I think I stated that
14 these matters are brought out before the Board by the
15 various interests when the Board is judging the general
16 rates case.

17 COMMISSIONER MANN: And you think the Board
18 has a duty to go into these matters during the course
19 of a general revenue case because they are brought out?

20 THE WITNESS: No, but for instance if they
21 had a hearing before the Board, the railways were not
22 allowed to include in their revenues, for instance,
23 passenger deficits.

24 COMMISSIONER MANN: I think it is more in
25 terms of the other matter mentioned by Mr. Cumming,
26 co-operative projects that might be achieving reduction
27 of expenses and I think that is what Mr. Cumming
28 discussed with you. If these matters are brought out
29 in a general revenue case you think the Board has a
30 duty to look into them?

THE WITNESS: Yes, they would consider from



1
2 the evidence these matters that were brought out.

3 COMMISSIONER MANN: Then you say if the
4 Board has a duty, a right and duty to look into these
5 matters during the course of a general revenue case,
6 why then is it wrong in principle for the Board to
7 look into these matters outside of a general revenue
8 case on its own motion? I cannot see the distinction
9 in there.

10 THE WITNESS: Well, we think that in the first
11 place that is the function of the railways. If the
12 railways are not performing their functions properly,
13 it should be subject to review by the Board just the
14 same as if they are not carrying out the provisions
15 of the Railway Act in any respect. In that sense.

16 COMMISSIONER MANN: Thank you.

17 THE CHAIRMAN: The Board should be the police-
18 man?

19 THE WITNESS: The referee.

20 MR. CUMMING: Q. On page 6 and over to the
21 end of your submission, you deal with this question of
22 other income and your conclusion is, or your submission
23 is that the position taken in the past by the Board
24 with respect to this question appears to be the most
25 fair one yet devised. What I was wondering is this,
26 as the railways enter more and more into other trans-
27 portation fields - I am not talking about hotels and
28 Consolidated Mining and Smelting and that sort of thing,
29 but other activities of a purely transportational
30 nature, do you consider that the income from or the
loss suffered by those enterprises ought to be



1
2 included in rail income for rate-making purposes?

3 A. Would I presume you are referring to
4 truck lines when you say "other"?

5 Q. I was referring to all modes of trans-
6 portation and the next question I was going to ask
7 you was would you make any distinction in the case of
8 trucks alone, that is land transportation in Canada?

9 A. No. I think for the purpose of railway
10 freight rates that these should not be included.

11 Q. That is air line, steamships, you would
12 exclude?

13 A. Yes.

14 Q. And all trucking as well?

15 A. Yes.

16 MR. CUMMING: That is all I have, thank you.

17 THE CHAIRMAN: Mr. Hume?

18 CROSS-EXAMINATION BY MR. HUME:

19 Q. Mr. Paul, my name is F. R. Hume and I
20 represent the Canadian Trucking Associations. I seem
21 to remember I had the honour of asking you questions
22 ten years ago before the Turgeon Commission; were you
23 not a witness at that inquiry?

24 A. Yes.

25 Q. Perhaps I should know this but I do not,
26 but is your normal activity one which is concerned with
27 transportation matters? This appears to be a special
28 interest of yours?

29 A. It is.

30 Q. And you are engaged in transportation



1
2 studies in your ordinary avocation?

3 A. Yes.

4 Q. In your ;discussion with my friend,
5 Mr. Cumming, you pointed out the competitive position
6 between the railways and the trucking industry by
7 pointing out in one case you are dealing with two large
8 transportation organizations and in the other case
9 you are dealing with, as you said, thousands. This
10 leads me to ask you this question: In your own experi-
11 ence have you found that in purchasing transportation
12 both by rail and for-hire truck in your ordinary
13 business that the competition situation of the two
14 is about comparable at the present time?

15 A. With respect to what?

16 Q. Well, with respect to ability to provide
17 you the service you want and so on. You indicated in
18 your brief the present situation is one you would like
19 to see carried on with full competition and I thought
20 it would be well for the Commission to have your views
21 as to whether or not you believe that the present
22 situation with its great numbers of trucking operators
23 operating as they do across the country are about
24 as competitively active as the railways in connection
25 with your requirements for transportation?

26 A. Yes, I would say so.

27 Q. And I suppose your activities, do I
28 correctly assume that your activities in buying trans-
29 portation are located in central Canada? Your head-
30 quarters are where?

A. In Toronto.



1
2 Q. Do you not find that the situation there
3 is if you do not get the service you want from a truck-
4 ing company in a particular area, what happens is
5 that somebody else comes along and your company is some-
6 times called upon to support the applications for
7 increased franchises by other companies to give you
8 the service you want.

9 A. Yes.

10 Q. And you have the ability, therefore,
11 to call upon, as you said, a large number of operators
12 and if one does not provide you with the service you
13 want, you can probably get it from somebody else?

14 A. Yes.

15 Q. Well now, in your brief in three places --
16 first of all may I ask you this: At page 5 at the
17 bottom, the paragraph commencing about the middle of
18 the page and going to the end of the page, I take your
19 reference to the I.C.C. decision and the recommendations
20 1 and 2 are the words of that decision. Do I correctly
21 assume that?

22 A. Yes, they are paraphrased - no, they are
23 quotations.

24 Q. Right to the bottom of the page?

25 A. Yes.

26 Q. May I also assume that because you quote
27 them they represent the views of the C. M. A. on this
28 particular subject?

29 A. We suggest that a parallel investigation
30 be made here because we consider in respect to that
problem that our situation is perhaps not as bad but is



1
2 fairly similar to that in the United States.

3 Q. In three places in your brief, on page
4 2 you refer to the healthy competition between various
5 media that you would like to see carried on. On page
6 2 under your heading of national transportation policy
7 you say you cannot deal with the problems of one agency
8 of transportation without considering its effect on the
9 others. At page 5 you quote the decision from the
10 I. C. C. recommendations that these several forms of
11 transportation should be treated equitably and no one
12 form should be preferred.. That leads me to asking you
13 really the only point I have to discuss with you: Taking
14 the Maritime Freight Rates Act, if historically the
15 payments under that act were made to the railways,
16 would it be your view in view of your brief that this
17 Commission might consider the payments made under that
18 Maritime Freight Rates Act be made in such a way that
19 all forms of transportation could have an opportunity
20 of sharing in the benefit of that act, if you can call
21 it a benefit, to the transport company, or should the
22 railways continue to be the chosen instrument of the
23 receipt of that subsidy?
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1 A. I think, Mr. Hume, based on the original
2 purpose of that subsidy, we would have to say it is
3 payable to the railroads only.

4 Q. It is that way now?

5 A. Yes, and that was the original purpose of
6 it.

7 Q. The original purpose was to assist the
8 shippers in the Atlantic region to get their products
9 into central Canada?

10 A. Yes, and there was another historical
11 reason behind it, though, and that was to equalize the
12 detriment that the maritime provinces worked under on
13 account of the Intercolonial railway being built as a
14 national policy on a much longer mileage than otherwise
15 was required.

16 Q. And those two reasons add up to the
17 fact that the purpose was to assist the shipper in
18 the Atlantic regions to move his products at a lower
19 cost than if the national considerations had not taken
20 place?

21 A. Yes, by rail.

22 Q. I suggest that at the time this was under
23 review and considered, that rail was then really the
24 only land transportation medium that was of any effec-
25 tiveness in moving these goods out of the Atlantic
26 regions?

27 A. Rail and water.

28 Q. Yes, but I am speaking of land.

29 A. Yes.
30



1 Q. If I suggest to you that there is now
2 growing and becoming more established a long haul
3 trucking operation from the Atlantic regions into
4 central Ontario, would it be the view of your Association,
5 or your own view -- and I would like to hear either one
6 or both -- as to whether or not this subsidy payment
7 should continue to be confined to the railways, or
8 should it be paid in such a way that all media of
9 transportation have an equal opportunity to benefit?
10

11 A. I think the subsidy should remain as it
12 is with respect to that question, but if I might add,
13 in accordance with our recommendation here, there are
14 a lot of changes that have taken place in the application
15 of that subsidy which, in our opinion, should be revised.

16 Q. Should be revised?

17 A. Yes, and if I may explain here, in that
18 territory now the Act was passed before we had any
19 agreed charge legislation, or things of that kind, and
20 the developments in that area have reached the point
21 that there are a great many agreed charge rates and
22 competitive rates in effect in that area which, in my
23 opinion, should not be subsidized. Where the railways
24 meet competitive rates in that area they should be
25 excluded from the application of the subsidy, in my
26 opinion.

27 Q. Your view would be if the railway put in
28 an agreed charge to meet truck competition, they should
29 not be further subsidized in that competition?

30 A. Correct.



1 Q. But on standard or normal rates things
2 should stay the way they are?

3 A. Yes.

4 Q. That leads me to the obvious next point,
5 that if, as you discussed with Mr. Cumming, on the
6 hypothetical situation that it is established that
7 there ought to be some assistance on grain in the west
8 -- if we assume all these things, would it be your view,
9 or the view of your Association, that any payment made
10 -- and to use your exact words, "so that the grain would
11 bear its variable cost plus a contribution to fixed
12 cost and a profit" -- should the railways alone be the
13 instrument of receiving the benefit, or should it be
14 paid in such a way that the trucks could haul grain, if
15 they are able to do so, and as they do in the United
16 States?
17

18 A. I would say again that the basis of the
19 subsidy should remain as is, by rail -- the original
20 agreement.

21 Q. There is no subsidy now?

22 A. No, I beg your pardon; but the original
23 agreement -- the so-called Crow's Nest Agreement was
24 in connection with rail.

25 Q. Of course, yes, in 1899 that is true.
26 If some payment is to be paid, whether it is paid --
27 however you call it, or whatever way you describe it --
28 so that the cost of the movement of grain is to be
29 increased, it is your view that all modes of trans-
30 portation, including possibly pipe lines, should have an



1 opportunity of competing for that movement, or should
2 it be paid as a subsidy to the railways to the exclusion
3 of other media of transportation?

4 A. Well, I would take the view that it should
5 be confined to the railways in accordance with the
6 original Crow's Nest Agreement. The matter of subsidies,
7 however, as long as it is taken out of the freight rate
8 structure, does not concern me too much, because that
9 is a matter, I think, that should be left to the wisdom
10 of Parliament as to what assistance and how the assistance
11 should be paid.

12 Q. So that if the rate per bushel or per
13 100 weight arose in Canada by one means or another, like
14 it is in the United States, the railways should be the
15 only persons to receive whatever payment is made, and
16 the trucking industry should not have an opportunity
17 of hauling it, except domestically, if they have an
18 opportunity -- and I am speaking only of the grain to
19 export points -- the present Crow's Nest statutory
20 rates?

21 A. Well, there would be some justification,
22 I think, in applying it to the trucks if the truckers
23 accepted the same obligations as the railways are under.

24 Q. Are you aware, in your capacity as
25 traffic manager with Swift's, of the movement of grain
26 to export positions in the United States both by rail
27 and highway?

28 A. No.

29 ---Short recess.
30



1
2 CROSS-EXAMINATION BY MR. MAURO:

3 Q. Mr. Paul, my name is Mauro and I repre-
4 sent the Province of Manitoba. I see on the bottom of
5 page 1 that you say, ". . . at present approximately
6 only 50 per cent of the total domestic all-rail tonnage
7 is carried at so-called 'normal' rates." I take it
8 you are classifying as "normal rates" the class rated
9 and non-competitive commodity rates?

10 A. Yes.

11 Q. And on page 2, in the final sentence
12 under General Observations, "It is submitted, therefore,
13 that to facilitate experimentation by the railways
14 with new services and pricing practices in adjusting
15 themselves to this competitive environment, restrictions
16 on rates and services of the carriers should be imposed
17 only to the degree necessary to protect elements of
18 the community, including the carriers . . ."

19 I would assume that your Association would
20 oppose any scheme that tended to restrict the freedom
21 of carriers in setting rates which would reflect the
22 operating characteristics of the carrier?

23 A. Reflect which, sir?

24 Q. The operating advantages or characteristics
25 of the particular carrier -- I mean by that, that your
26 Association would not want any system of control that
27 would tie rail rates to truck rates, or truck rates to
28 rail rates, or lake rates to rail or truck rates?

29 A. Correct, sir; we would not.

30 Q. And your Association, I would expect,



1 would support a policy which recommended that each
2 carrier's rates reflect the operating advantages and
3 characteristics of that carrier?

4 A. Yes, I think that is a sound policy.

5 Q. And the Province of Manitoba has gone a
6 little further and recommended in the case of lake and
7 rail that the lake carriers' rates be based on the cost
8 factors of the lake carriers, and that they should not
9 be bound in any way to the cost of carriage by rail?

10 A. That is other than joint rates, you mean?
11 Or do you mean joint rates?

12 Q. Well, this is other than joint rates
13 right now.

14 A. Purely water rates?

15 Q. Yes.

16 A. Yes.

17 Q. And then, on the joint rate phase, the
18 Province of Manitoba has recommended that the joint through
19 rates should reflect the portion carried by each of the
20 carriers; in other words, if there was a 1200-mile haul,
21 800 miles by water and 400 miles by rail, the through
22 rate should reflect the two-thirds portion by water and
23 the one-third portion by rail?

24 A. I would not go so far as to say a definite
25 proportion, but I think your policy is sound, that the
26 joint rate should reflect a differential based on the
27 water carriage.

28 Q. Because I would expect your Association,
29 from my reading of your brief and your examination this
30



1 morning -- the object that your Association wants to
2 achieve is the most efficient and economical movement
3 of goods and people in Canada?

4 A. Yes.

5 Q. And you realize that in such a policy the
6 carriers best suited for the particular traffic movement
7 will eventually get that traffic?

8 A. That is correct.

9 Q. Under "National Transportation Policy"
10 you have recommended:

11 ". . . that our transportation system -- rail,
12 water, highway, air and pipe line -- be considered
13 as a whole and a national transportation policy
14 enunciated which will afford equitable treatment
15 to these respective segments . . ."

16 The Province of Manitoba, in their submission, at page
17 53 stated as follows, and I will read it to you and ask
18 for your comments, because I think it would be of some
19 assistance if we bring out some of the specifics that
20 might be considered by this Commission.
21

22
23 (Page 9900 follows)
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1
2 I am starting to read at paragraph 122 of
3 the Manitoba submission.

4 "Subsequent to the report of the Turgeon Royal
5 Commission, the Royal Commission on Canada's
6 Economic Prospects also examined the question of
7 co-ordination of the existing transportation
8 agencies and in its final report on November,
9 1957, reached the following conclusions:

10 'We also believe that a more unified approach
11 should be taken by the Federal Government in dealing
12 with the transportation agencies under its control.
13 Rather than having each transportation enterprise
14 competing - and unequally at that - for the tax-
15 payer's dollar in order to be more able to conceal
16 the high real cost of certain of their services,
17 we believe it sounder, cheaper and more efficient
18 for them to provide only those services which will
19 stand on their own feet.'"

20 Do you agree with the statement of the Royal
21 Commission that far, Mr. Paul, their conclusion that it
22 is sounder, cheaper, more efficient for them, that is
23 the federal government, to have a policy which would
24 result in transportation enterprises providing more
25 efficient service and those services which will stand
26 on their own feet?

27 A. Well, I think our brief says that.

28 Q. Exactly.

29 "We do not think the sort of unity of trans-
30 port policy we have been talking about can
be achieved by some super-transport body with



1
2 "rigid regulatory power even if there was
3 no constitutional objections to such a scheme.
4 We do, however, believe it can be more nearly
5 attained if the authorities concerned seek to
6 ensure that each form of transport as nearly as
7 possible pays its own way and is regulated in
8 such a way as to prevent waste, duplication
9 and uneconomic rate-making."

10 The province of Manitoba, on the basis of the
11 material that is submitted, stated as follows:

12 "This commission can better determine these factors
13 after due consideration, but we suggest that it
14 should of necessity" -

15 referring to this body that we felt should be set up
16 to investigate and try and unify transportation policy
17 in Canada -

18 "... be regional in its representation, thus
19 permitting the proper consideration of national
20 policies as they affect the various economic regions
21 of Canada. Such a body would have as its major
22 task the direction of research and planning into
23 transportation problems in general in conjunction
24 with or independent of specific agencies. In
25 addition, we feel that at least once each year such
26 a tribunal or board should visit the provincial
27 capitals for hearings on general matters affecting
28 transportation in that area and make an annual
29 report to the Minister of Transport."

30 And the actual recommendation is as follows:

"The government of Manitoba therefore recommends:



1
2 "That this Royal Commission should examine the
3 necessity for co-ordinating the administration of
4 national transportation policies with a view to
5 providing the most efficient and economic means for
6 the transportation of people and commodities."

7 I wonder, Mr. Paul, whether the association
8 that you represent would support the positions of the
9 province of Manitoba that such a body should be organized
10 with a view to co-ordinating the various transportation
11 agencies in the Dominion?

12 A. No, I wouldn't agree that another Board
13 is necessary to do that. I think we have enough now
14 to look after all our --

15 Q. Do you think there is this unification
16 of purpose between the Board of Transport Commissioners
17 and the Maritime Commissioners, and so on?

18 A. No, but I think as far as transportation
19 matters are concerned that we have sufficient boards now
20 to govern that feature.

21 Q. Outside of the administrative aspects,
22 there is no suggestion that we need any new administrative
23 tribunal, but it was our position on it that there seemed
24 to be a very real need for some unifying approach,
25 that we were having this balkanization of transportation
26 in Canada, that we had various policies on transport-
27 ation actually competing with each other.

28 A. I couldn't go along with that proposal,
29 because I don't think it is necessary to have additional
30 expense on the taxpayers.

Q. How do you feel that this national



1
2 transportation policy would be enunciated and applied?

3 A. Well, the one way it could be helped
4 along is by some co-operative meeting between the
5 various provincial boards so far as truck operation is
6 concerned, because these are provincial matters. It
7 can be helped by the various provincial bodies as they
8 are now co-operating.

9 Q. So if there is organized an association
10 made up of representatives of each province and they
11 met annually, or whatever time they wanted to meet, as
12 frequently as they wanted to meet, to discuss these
13 problems, that would be the sort of thing that you
14 would envisage?

15 A. I don't think it will absolutely solve
16 all of our problems, Mr. Mauro, but that is being done,
17 you know, and I think we should try and see if that
18 does overcome the difficulties we have in that respect.

19 Q. So that to that extent your association
20 would approve of a group made up of representatives of
21 each of the provinces that would meet to discuss national
22 transportation problems?

23 A. No, I would confine that, sir, to the
24 trucking operations, because that is a provincial matter.

25 Q. So that on trucking there would be this
26 group made up of representatives of each of the provinces
27 which would meet to discuss problems of a national
28 nature covering movement of commodities by truck?

29 A. Inter-provincial.

30 Q. What would you do for the water, carriage
of commodities by water?



1
2 A. Well, the water carriers come under
3 federal jurisdiction now.

4 Q. What about the co-ordination of water,
5 carriage by water and by truck and by rail and by air
6 and by pipeline? I understand you want the enunciation
7 of a national policy on this, not covering only trucks,
8 but covering all forms of transportation?

9 A. No, what we are advocating is that the
10 national policy be based upon all these carriers, giving
11 freedom to operate in the best field they can operate.

12 Q. How does the national government bring
13 this about? Simply by the enunciation of that principle
14 or by the development of a new policy by the passing
15 of new legislation, by the making of a board to bring
16 this co-ordination about?

17 A. By adopting the principles I have
18 mentioned.

19 Q. A government adopts principles in various
20 ways; the usual way is by the passing of legislation?

21 A. Yes.

22 Q. What kind of legislation do you envisage
23 on that so that we have this co-ordination between water,
24 rail, air, road and pipeline?

25 A. I haven't thought out a national policy
26 that would co-ordinate all of these agencies as a unit,
27 you might say, as you are envisaging. We find that the
28 way it is being administered now is quite satisfactory,
29 and under the federal act now delegating certain powers
30 to the provinces with respect to truck transportation,
these agencies are working along the line of co-operating



1
2 with respect to some of these problems.

3 Q. Do you feel, then, that there is, in
4 fact, now a satisfactory national transportation policy?
5 I only introduced the subject, Mr. Paul, because you
6 said that you wanted a national transportation policy
7 enunciated which will afford equitable treatment, and
8 since the matter has been discussed by the Turgeon
9 Commission and by the Gordon Commission in 1957, and
10 since it was a matter that the province of Manitoba
11 felt should be dealt with by this Commission, I put to
12 you our suggestion of a sort of a research group, not
13 an administrative body, which would take into consideration
14 a national policy, a transportation policy, as opposed
15 to specific transportation policies.

16 But if your association feels that the present
17 system is adequate and satisfactory, then certainly I
18 respect your opinion, and my only doubt would then be
19 as to the purpose of the paragraph in your brief.

20 A. Well, we think that present system is
21 satisfactory, providing there is no interference with
22 the competitive features of the various agencies.

23 Q. And you feel that that is being worked
24 out today?

25 A. Yes.

26 Q. So when you say that our transportation
27 system be considered as a whole and a national transport-
28 ation policy enunciated, it really means that you want
29 the present system maintained?

30 A. Yes, that nothing be put in the way of
the various media competing with one another.



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Q. The present national transportation system is satisfactory?

A. Yes.

Q. As to the matter of subsidies, Mr. Paul, you have dealt with that with my friend Mr. Cumming. Have you any scheme as to how the bridge subsidy, for example, might otherwise be applied than at present?

A. No definite scheme, except that it should come out of the freight rate structure.

Q. I am sorry, I didn't quite follow that, Mr. Paul.

A. No definite scheme, except that it should come out of the freight rate structure altogether.

MR. FRAWLEY: For clarity, is that in the brief, Mr. Paul, or are you now saying this?

THE WITNESS: Well, it is in the brief, Mr. Frawley, that we consider the freight rate structure is not a proper medium to dispense subsidies.

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MR. MAURO: Q. In other words, your

Association feels that the rates, over the bridge, should be at their fixed level and that any subsidies should be paid by the federal government directly to the shipper?

A. Or directly to the parties that the federal government wants to help in respect to that subsidy.

Q. Is there any doubt in your mind as to who is being assisted by the bridge subsidy?

A. Yes, there is. I do not know who is being assisted by the bridge subsidy. I do not know who the money goes to.

Q. Do you doubt that there has been a reduction in rates?

A. No.

Q. Owing to the bridge subsidy?

A. I do not doubt that in that respect, but I doubt who is getting the benefit of it.

Q. Just to the extent of the reduction in rates, do you think that the shipper or the receiver, the consignee, receives the benefit of having a reduction in rates?

A. Somebody gets the benefit, but I do not know who.

THE CHAIRMAN: We are back to the old problem of who pays the freight.

THE WITNESS: Then there is another factor with respect to the particular subsidy. It is changing almost every week, because as soon as the railroads put



1 in a competitive rate or an agreed charge rate it removes
2 it out of that subsidy, so that in that respect it is
3 changing all the time as well.

4 MR. MAURO: Q. What has that got to do with
5 the principle of the subsidy, if there are less commodities
6 now being affected by the bridge subsidy, because it only
7 applies to the class and non-competitive commodity rates
8 -- that certainly was one of the principles being
9 enunciated, was it not, that the competitive traffic
10 should receive the benefit?

11 A. That is correct, I agree with that, but
12 my problem is who ultimately receives the benefits. One
13 of the problems of these subsidies is, as we have heard
14 from another area of the country, that it creates
15 problems for them, for they claim that they do not get
16 the benefit of such a rate subsidy.

17 Q. That is against subsidies generally?

18 A. No, I am not against subsidies in general.
19 Do not get me wrong. I am against subsidies being
20 integrated into the freight rate structure.

21 THE CHAIRMAN: One thing is clear, Mr. Paul.
22 The railways get the \$7,000,000?

23 THE WITNESS: No, I would not agree, sir. The
24 railways get paid the \$7 million, but they have to hand
25 that back through rate reductions.

26 COMMISSIONER MANN: Is there a possibility, Mr.
27 Paul, that when you say you do not know who benefits you
28 mean you do not know whether the railways benefit to some
29 extent because by being able to reduce the rates
30



1 by the amount of the rate subsidy they are able to quote
2 a rate which is made lower and then is harder to meet
3 by the competitor? Is that what you have in mind?

4 THE WITNESS: That is a factor, sir, but what
5 I have in mind ---

6 COMMISSIONER MANN: It cuts down on erosion?

7 THE WITNESS: To a certain extent, yes. It
8 puts the railways in a better position to meet their
9 competition on that particular movement, I would say, but
10 it also creates other distortions, you might say, in the
11 whole freight rate structure, and we do not think it
12 should be done that way.

13 MR. MAURO: Q. Mr. Paul, you told me you are
14 not against subsidies in general but you want to have
15 the freight rate structure neat and tidy. Let us just
16 limit ourselves to the bridge subsidy. Somebody,
17 shipper, consignee or railroad, receives the benefit
18 of \$7 million, and it is applied in a specific manner.
19 Now, would your Association recommend (a) the abolition
20 of the bridge subsidy or (b) a different method of
21 applying the bridge subsidy?

22 A. Well, we think (b) should be the solution.

23 Q. A different method of applying the subsidy?

24 A. Yes.

25 Q. Has your Association given any considera-
26 tion to a different method of applying the subsidy?

27 A. No, we have left that to our friends on
28 the Commission here.

29 Q. But the present system you do not think
30



1 is the best system?

2 A. That is correct, with respect to any of
3 those subsidies tied in with the freight rate structure,
4 not only the ones you mentioned but the others as well.

5 Q. I was going to mention a couple of others.
6 But as far as the bridge subsidy is concerned, you do
7 not like the present method but you do not have another
8 method to offer?

9 A. Correct.

10 Q. As to the subsidy in May last year of
11 \$20 million in the roll-back on class and commodity
12 rates, does your Association like that subsidy and does
13 it like the way it is applied?

14 A. As an Association, I am not going to
15 speak on the subsidy, because I cannot, but as to the
16 way it is being applied, we are against it.

17 Q. You do not know what your Association
18 feels about the principle of that \$20 million subsidy,
19 but the method in which it is applied is not satisfac-
20 tory? With regard to the Maritime Freight Rates Act,
21 are you for or against the subsidy itself and (b) do
22 you like the way it is applied, the method of appli-
23 cation?

24 A. The answer is the same.

25 Q. You do not mind the subsidy, but it is
26 the method of the application?

27 A. That is right.

28 Q. You know that in the case of the
29 Maritime Freight Rates Act competitive rates receive the
30



1 subsidy?

2 A. Yes.

3 Q. So that that clearly is of advantage to
4 the rail lines?

5 A. Yes.

6 Q. As opposed to other carriers?

7 A. Yes.

8 Q. Would you like some change in that?

9 A. I have already stated in my testimony that
10 we do not think that agreed charge rates and competitive
11 rates should get the benefit of the Maritime Freight
12 Rates Act subsidy.

13 Q. You would like to see all subsidies
14 restricted, in this general subsidy classification, to
15 class rated and non-competitive commodity traffic?

16 A. No, we do not want subsidies applied to
17 freight rates at all. But in that particular one --
18 you mean the Maritime Freight Rates Act?

19 Q. Now you are taking a position. Your
20 Association does not want subsidies applied to freight
21 rates at all?

22 A. Correct, yes.

23 Q. So that, as far as feed grain subsidies,
24 coal subventions and the Maritime Freight Rates Act are
25 concerned, pull them out of the freight rate structure
26 and keep the freight rate structure a neat and tidy
27 little package without any smutting up with subsidies?

28 A. Yes.

29 COMMISSIONER MANN: Mr. Mauro, I think you
30



1 would want to make a distinction with regard to the feed
2 grain subsidy and its effect on the freight rate struc-
3 ture.
4

5 THE WITNESS: Yes, they are paid direct.

6 MR. MAURO: Yes, thank you, Mr. Mann.

7 Q. Then I notice on page 4 of your brief,
8 Mr. Paul, you say:

9 "These statutory rates which are still on
10 the level prevailing in the year 1899 . . ."

11 Your Association, by that statement, does not feel that
12 the fact that they have been prevailing since 1899 makes
13 them bad rates or good rates or any other kind of rates?

14 A. I beg your pardon?

15 Q. You make the statement that these statutory
16 rates which are still on the level prevailing in the year
17 1899 and apply on traffic which, in the case of the
18 Canadian Pacific Railway, represents from 25 to 30 per
19 cent of the annual revenue ton miles performed in freight
20 service. The fact that they have been in effect since
21 1899 does not prove anything, does it?

22 A. I would think it is a reasonable assumption
23 that any rate which has not been increased since 1899 is
24 hardly reasonable, I would say, today.

25 Q. Have you considered the revenue per car
26 of grain since 1899?

27 A. No, I have not got any figures on that
28 and I cannot answer any questions on these specifics.

29 Q. You will admit that there are other con-
30 siderations than the date on which the rate was introduced



1 that should be considered in determining whether or not
2 it is a good thing?

3 A. Correct, yes. I just put forward that
4 reasonable assumption that I mentioned.

5 Q. A little further on this appears:

6 "Also to determine whether, in the competitive
7 atmosphere in which the railways operate today,
8 it is in the public interest to perpetuate any
9 distortion which may be deemed to exist in the
10 prevailing freight rate structure attributable
11 to the exemption enjoyed by traffic moving under
12 these statutory rates . . ."

13 I assume that in fairness your Association would apply
14 that statement to all rates and any distortions and the
15 perpetuity of any distortions in the prevailing freight
16 rate structure?

17 A. Yes, but I would like to point out that
18 the wording here is not the Association's wording about
19 "distortion" -- that is the wording of the Commissioner.

20 Q. But I assume that you adopted it, because
21 it is in the brief?

22 A. Yes, we believe in that principle, correct.

23 Q. As to the passenger services, Mr. Paul, I
24 see that your Association -- very correctly, in our view
25 -- suggests that the freight rate structure should not
26 be burdened with passenger deficits. I did not follow
27 it completely, but I believe when you were questioned
28 by Mr. Cumming you said that your Association did not
29 support the idea of a subsidy to the railways for
30



1 maintaining the services unless they were directly
2 in the national interest?

3 A. Yes, correct.

4 Q. But if in fact railway management exercising
5 their discretion wanted to abandon and applied for aban-
6 donment and proved the case, as far as revenue deficiency
7 is concerned, and the Board of Transport Commissioners
8 in their wisdom said, "No; due to the public interest,
9 you must maintain these deficit services" -- then your
10 Association would support the idea of the compensation
11 being paid the railways from the treasury?

12 A. No, we do not go that far.

13 Q. Could you tell me how far you go on that?

14 A. We say it is up to the railways to investi-
15 gate every possible avenue of economy, or even coordina-
16 ting with each other to effect economies, and to reduce
17 their operating costs, so that the service will be put
18 on a paying basis.

19 COMMISSIONER GOBEIL: The only exception
20 you would make would be for national defence?

21 THE WITNESS: Or in other areas, Mr. Com-
22 missioner, like commuter services and others, in which
23 case we say that those who benefit from the service
24 should pay the deficit.

25 THE CHAIRMAN: The locality?

26 THE WITNESS: Yes, sir.

27 MR. MAURO: Q. That again is in complete
28 accordance with the proposal put forward by the Province
29 of Manitoba. We deemed the commuter services were more
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1 of a local or metropolitan problem and should be dealt
2 with on that level, but on the national plane, national
3 passenger services so deemed, if the railways were
4 compelled to maintain these services at a deficit, and
5 since the railways have only one source of revenue and
6 that is freight traffic, if on the one hand we are going
7 to remove the passenger deficits from the freight and still
8 compel the railways to operate the services at a deficit,
9 we are confronted with the problem of where they are going
10 to get this money that they are compelled to expend.
11 The only source we could consider, on the national
12 plane, is the federal treasury, and that seems to be
13 logical.
14

15 A. I have mentioned one segment that we
16 think the national treasury should stand if they want
17 that service: that is, a national defence service. But
18 we do not think the taxpayers even should be saddled
19 with providing a service for others to use. We believe
20 that all these services should be paid by the people who
21 use the service.

22 Q. And if they refuse to pay for them?

23 A. Then the Board should allow abandonment.

24 Q. And if the Board refuses abandonment on
25 the basis that the line should be maintained in the public
26 interest?

27 A. Well, you are pinning me down with a great
28 deal of "ifs". If in the national interest the Board
29 decides it has to remain, then, if it is a national
30 interest, it should be paid there.



1 Q. Very good, Mr. Paul. Now, as to the
2 branch line operations and the application by the railways
3 for abandonment of branch lines, if the Board were to
4 find the same thing, if the branch line while operating
5 at a deficit is still in the public interest?

6 A. I think, with respect to branch lines,
7 it is in a different category because branch lines
8 contribute to the general plan of the railroads. That
9 has to be considered.

10 Q. But would you expect the same general
11 treatment -- that branch line deficits should be taken
12 out of the same freight structure?

13 A. Yes.

14 Q. And the railways should be permitted and
15 should be encouraged to abandon losing branch lines?

16 A. Yes, where there is no other solution.

17 Q. Where there is no other solution. If
18 in fact they apply and the Board contends, taking all
19 these factors into consideration about contribution to
20 main line traffic and so on -- if, taking all these
21 factors into consideration, still the line is operating
22 at a deficit but the Board insists on the maintaining
23 of the service, then would you contemplate compensation
24 to the railways for the operation?
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1
2 A. Well, you are leading me far astray in
3 this. We do not want any subsidies, in that respect
4 we want each function to pay its way.

5 Q. May I say that I want to compliment you
6 and through you your association for a very well-prepared
7 statement of the problem and very excellent presen-
8 tation here.

9 A. I am glad it coincides in some way with
10 yours.

11 THE CHAIRMAN: Mr. Frawley:

12 MR. FRAWLEY: No questions.

13 THE CHAIRMAN: Mr. McDonald?

14 CROSS-EXAMINATION BY MR. McDONALD:

15 Q. Now, Mr. Paul, in order that the Board
16 might have a little better understanding of your experi-
17 ence in the transportation field I think you are traffic
18 manager for the Swift Canadian Company?

19 A. Yes.

20 Q. And the operations of the Swift Canadian
21 Company extend over all parts of Canada?

22 A. All over Canada.

23 Q. The whole ten provinces?

24 A. Yes, sir, from St. John's to Victoria.

25 Q. And in your work for the Swift Canadian
26 Company you are familiar with transportation, railway
27 and truck transportation from coast to coast?

28 A. Yes, as it affects our business, anyway.

29 Q. And would you agree with me that there is
30 competition right through the ten provinces today?



1
2 A. Yes, I would say so.

3 Q. Would you agree further that rates today
4 are governed by competition?

5 A. I would say generally that is a fair state--
6 ment.

7 Q. Would you also agree that service standards
8 are governed by competition?

9 A. Yes.

10 Q. So, therefore, we have your service standards
11 of the carriers, the rates of the carriers today are
12 governed by competition?

13 A. That is right.

14 Q. Would you go further and say that the
15 railways and the trucks should be as free as possible
16 from government regulation in their functions?

17 A. Yes, we have said it subject to the
18 modification I pointed out.

19 Q. Well, can there be any discrimination
20 with this competition, does not the competition itself
21 remove any discrimination?

22 A. Oh, not necessarily so, no.

23 Q. If you have different forms of transportation
24 to choose from, does not that prevent any one of them
25 from discriminating against the shipper?

26 A. Well, there may be situations where
27 meeting competition would involve discrimination.

28 Q. You cannot have the same rates when you
29 are dealing with competition, you cannot have the same
30 rates all the way through in different parts of the
country?



1
2 A. No, not at all.

3 Q. So you are going to get rates that are
4 unequal?

5 A. Yes.

6 Q. Then, in handling the products of the
7 Swift Canadian Company, what percentage of them go
8 by truck and what percentage by rail?

9 A. I could not say. That would depend on
10 the locality. That would take a considerable survey to
11 decide and I could not answer it offhand.

12 Q. And then take shipping to western
13 Canada, if you are shipping to or from western Canada
14 by rail, do your products travel under competitive
15 rates?

16 A. Some do, yes.

17 Q. And some travel on commodity rates which
18 are subject to the bridge subsidy?

19 A. Yes.

20 Q. Then, coming back to the railways
21 economizing, the railways are going to suggest to this
22 Commission that the legislation be amended so that they
23 will have greater freedom in abandoning unprofitable
24 services. Would you go along with that principle?

25 A. Yes. I think, judging from recent
26 judgments of the Board, I find the Board is pretty
27 sympathetic in their judgments in that respect.

28 Q. Well, we need a little more than sym-
29 pathy, we have to get it down to principles. Would
30 you go along with this principle that if the railways
establish that, say, a passenger service is not paying



1
2 its way that the Board should grant the railway's
3 request to abandon that service?

4 A. Yes.

5 Q. And furthermore, if you have a branch
6 line that is not paying its way and the railways estab-
7 lish it to the satisfaction of the Board, would you
8 go along that the Board should grant the railway's
9 application?

10 A. Yes, and I think I qualify my answers
11 to both these questions, providing the Board is satisfied
12 that all due economies and other avenues have been
13 exhausted.

14 Q. Yes, that the railway is operating
15 services as economically as possible?

16 A. And efficiently, yes.

17 Q. And as you know, the Board has its own
18 technical staff and when the railway puts its figures
19 in on an abandonment, they examine the whole picture
20 on the ground?

21 A. Yes.

22 Q. But your national transportation policy,
23 you do not envisage the government setting down a lot
24 of rules and regulations covering these different forms
25 of transport?

26 A. No, we would like as many shackles removed
27 as possible.

28 Q. With the different modes of transportation
29 to compete with each other in respect to service
30 standards and rates?

A. Yes.



Q. You spoke about the railways going into the truck business and they might acquire a monopoly, is that not controlled by private trucking?

A. Oh, yes, there is always a safeguard there. If your costs get beyond what a private operator can handle, for instance, Swift Canadian, if the rates get so high it would pay us to buy a fleet of trucks and do our own trucking.

Q. If the rates get too high they would have to consider that?

A. Oh, yes.

THE CHAIRMAN: Before we adjourn for lunch I want the Secretary to release to counsel the revised schedule of hearings for April, May and June.

ROYAL COMMISSION ON TRANSPORTATION

Revised Schedule of Hearings
April, May, June 1960

<u>PLACE</u>	<u>SUBMISSION BY</u>	<u>DATE</u>
Ottawa	Canadian Federation of Agriculture 111 Sparks Street, Ottawa Witness: Mr. Hopper	April 25
"	Canada and Dominion Sugar Co. Ltd. Chatham, Ontario Witness: Mr. M. W. Davidson, Mr. C. Wilson	April 26
"	Dominion Steel and Coal Corporation Ltd., Canada Cement Bldg., Phillips Square, Montreal, P.Q. Witness: Mr. Rand Matheson Mr. A. L. Fairley, Jr.	April 27
"	Industrial & Trade Bureau of Greater Quebec, 100 Place d'Youville, Quebec 4, P.Q. Witness: Mr. D. Bertrand	April 28



<u>PLACE</u>	<u>SUBMISSION BY</u>	<u>DATE</u>
Ottawa	Canadian Trucking Associations 251 Bank Street, Ottawa (Presentation of Brief) Witness: Mr. John A. D. Magee Mr. George Montague	April 28 April 29
"	Canadian Trucking Associations 251 Bank Street, Ottawa (Cross-Examination)	May 2-May 6
"	Cross-examination of Railways' witnesses on cost study of grain traffic moving at statutory and related rates	May 9-May 13
Port Arthur	Lakehead Regional Cities and Organizations	May 28
Ottawa	Governments of British Columbia (cross-examination Part I, Part II) Atlantic Provinces Manitoba Saskatchewan Alberta Ontario Quebec	Commencing May 30
"	Grain Marketing Organizations (Order to be determined)	
"	Canadian Pacific Railway Co.	
"	Canadian National Railways (Order to be determined)	

THE CHAIRMAN: We will adjourn now until
2 o'clock.

----Luncheon adjournment.

(Page 9927 follows)



1 ---On resuming at 2.00 p.m.

2
3 CROSS-EXAMINATION BY MR. SINCLAIR:

4 Q. Mr. Paul, the members of the Canadian
5 Manufacturers' Association and you, personally, are
6 large purchasers of rail transportation; that is correct?
7

8 A. I would say so, as a group; one of the
9 largest.

10 Q. The purchasing of this transportation is
11 done, in many cases, including in your own company,
12 yourself, by professional traffic men?

13 A. Yes

14 Q. And you, as an example, devote your full
15 time to transportation matters in your company?

16 A. Yes.

17 Q. And you have done so for quite a number of
18 years?

19 A. Yes, sir.

20 Q. How many years?

21 A. Around forty in the transportation busi-
22 ness, but as head of the transportation for my company,
23 for seventeen years.

24 Q. Mr. Paul, the present freight rate struc-
25 ture enables the railways to have varying contributions
26 above variable costs in the rates that are fixed; correct?

27 A. Yes.

28 Q. What is your position as to the continuance
29 of that principle in the railway pricing?

30 A. We think it is a sound principle, and to



1 move the maximum amount of freight I would say that is
2 a necessity.

3 Q. There have been submissions to this Com-
4 mission that the present method of pricing railway
5 service as it is now carried on should not be continued,
6 but that railway pricing should be cost orientated, or,
7 another way it was put was that cost of service rather
8 than value of service should be the basis of railway
9 pricing: what is your view on that?

10 A. Well, we would disagree with that.

11 Q. Disagree with what?

12 A. That policy -- or, that principle of cost
13 of service only being the factor to be considered in
14 freight rates.

15 Q. Would you or would you not also be against
16 a policy that required a fixed relationship to cost,
17 that no traffic, for instance, could be priced in the
18 freight rate structure, say, less than so much of a
19 percentage over variable cost -- nothing could be priced
20 less than that, and nothing could be priced more than a
21 certain percentage over fully distributed cost? Would
22 you also be against that?

23 A. Yes, I don't think that system would be
24 flexible enough to move the maximum volume of traffic.

25 Q. Under the existing freight rate structure
26 there are class rates, mileage commodity rates, specific
27 commodity rates, competitive rates, agreed charges:
28 do you think each of that type of rate has a useful
29 place in a realistic freight rate structure?
30



1 A. Most definitely.

2 Q. Mr. Paul, you deal with passenger service
3 in your submission and also in the questions you have
4 answered to Mr. Cumming and counsel for other interests
5 -- the truckers and the provinces. I want to ask you
6 a few questions on that, if I may, please.

7 You suggested that passenger train service
8 should stand on its own feet?

9 A. Yes.

10 Q. And to enable this to be done, your sub-
11 mission to this Commission means that the railways must
12 have freedom to increase passenger rates in relation to
13 the cost of providing the service; that would be one
14 thing?

15 A. Yes, that would be one factor.

16 Q. And to experiment with different methods
17 of pricing passenger service; that would be another
18 method?

19 A. Yes.

20 Q. And if the railways were unable to secure
21 patronage at prices that would allow passenger service
22 to meet its variable cost, then your view is that the
23 railways should be enabled to discontinue losing pas-
24 senger services; correct?

25 A. Yes, if that is the only alternative.
26 You omitted some of the other things I brought out in
27 that problem.

28 Q. I think you put in, subject to the fact
29 that the railways would resort to cutting costs on
30



1 passenger service, and I take it you had in mind then the
2 substitution of such matters as rail diesel cars instead
3 of conventional trains?

4 A. Yes.

5 Q. Did you have any other?

6 A. No. I was just going to mention that
7 I just noticed from the Ottawa Journal that Mr. Donald
8 Gordon has been before the Commons Committee and is giving
9 attention in conjunction with the C.P.R. to the matter of
10 that very thing.

11 Q. Yes. Well, we have told the Commission,
12 for instance, that where Canadian National were the
13 dominant line, passengerwise, for instance, between
14 Winnipeg and Saskatoon and Edmonton, that the Canadian
15 Pacific applied for discontinuance of that passenger
16 train service, and that was recently authorized by the
17 Board of Transport Commissioners, and that train service
18 will be coming off on the Canadian Pacific shortly.
19 Is that one of the things you had in mind?

20 A. Yes.

21 Q. And when the railways do these things,
22 they may still find that it takes some time to do the
23 necessary adjustments in rates, the adjustments in service,
24 and securing the discontinuance of services, and in that
25 period, while the railways do proceed at this in an
26 orderly and businesslike way, why should not the freight
27 rates be required, as they have in the past, to carry
28 the passenger train loss?

29 A. Well, without appearing to cross-examine
30



1 you, Mr. Sinclair, I would answer it by putting a ques-
2 tion to you, and the Commission as well, with all respect:
3 why should the freight payers shoulder the deficits for
4 the passenger service, or why should the ratepayers of
5 Canada shoulder the deficits of the passenger services?

6 Q. Well, you have asked me two questions, and
7 let us deal with the first one, and that is: why should
8 freight payers carry the passenger loss? That is your
9 first question?

10 A. Yes.

11 Q. And in answer to that, Mr. Paul, I am
12 going to read from a Judgment of the Board of Transport
13 Commissioners, because I thought somebody like you might
14 ask me a question like that, and I have had this ready
15 for some time. This is the Commissioner Cross Judgment
16 of March 30, 1948. I am reading from page 41 of
17 38 J.O.R. & R., and it can also be found in 62 C.R.T.C.
18 -- page 41 of each of those reports. It says this:

19 "It is generally recognized that freight
20 services are relatively more profitable than
21 passenger services. The rates of both classes
22 of service are subject to regulation under the
23 Railway Act. The freight and passenger ser-
24 vices are both essential to the respondent . . ."

25 And the respondents in this case were the provinces,
26 and the numerous shipping interests that appear in this
27 case, and they are listed, and there is practically
28 every type of shipper listed.

29 THE CHAIRMAN: Including the CMA, I think.
30



1 "The freight and passenger services are both
2 essential to the respondents and to the public
3 in general. The railways are required to
4 furnish both services. They are interrelated,
5 and revenue losses or deficits on the one must
6 necessarily be compensated by earnings on the
7 other if the railway carriers are to continue
8 to operate. I am unable to agree with the
9 submission made here that we can authorize no
10 increase in freight rates if such increase
11 to some degree be necessary to correct
12 deficiencies in aggregate earnings growing
13 out of the inability of the passenger service
14 to meet its full share of the revenue burden."

15
16 MR. SINCLAIR: Q. Mr. Paul, that was a
17 statement of the Board after considering a submission
18 in 1948 similar to the submission you made now. Is
19 it your view that the situation has markedly changed
20 since 1948, and that is, that while in 1947, when this
21 matter was being considered, that the railway passenger
22 service at that time was essential to the respondents
23 and the public in general, now is it your view that
24 because of the very rapid increase in private motor
25 travel, in bus travel and in aircraft travel that that
26 changes the situation; is that your position?

27 A. Yes, I would say so, and with these other
28 services there are very few passenger services now that
29 are exclusively rail. I mean, there are other modes
30 now of transportation.



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2 Q. Yes. Well, then, Mr. Paul, if that is
3 your position, that since in the last few years, we
4 will say the last five or six, there has been a
5 marked change in the requirements for rail passenger
6 service that a few years earlier was not so, why should
7 the railways, when they are making this transition,
8 be denied the right to make it in an orderly manner
9 and to have the interrelation that existed when they
10 bought third class passenger equipment and things of
11 that nature recognized until a reasonable time passed.

12 A. Well, I am all for an orderly transition,
13 Mr. Sinclair, and I wouldn't object to the freight
14 contributing on a temporary basis until the matter is
15 adjusted.

16 Q. Now, Mr. Paul, you said that there might
17 be local interests, local public interests, that would
18 require a passenger service or might want a passenger
19 service, and if they did and it couldn't make money,
20 meet its variable costs, then that local interest should
21 be required to pay for it. That would be, I think you
22 said, municipal or provincial; that would be what I
23 mean by local; is that correct?

24 A. That is if they demand a service that --

25 Q. Not paying its way?

26 A. Yes.

27 Q. They should pay for it by guaranteeing
28 the railways against loss; is that what you had in mind?

29 A. Underwriting the deficit.

30 Q. And then you said there might be a situ-
ation where passenger service was required for national



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2 defence, and under those circumstances you would look
3 then to the federal treasury, because national defence
4 is a national interest?

5 A. It is a federal obligation, yes.

6 Q. That wouldn't be subsidy, would it?
7 That would be the railways billing the Department of
8 National Defence just the same as they would today?

9 A. Well, I would say so, yes. I wouldn't
10 consider it as a subsidy.

11 Q. So if, for instance, in the interests
12 of national defence it was necessary to keep available
13 for emergency passenger equipment, mothballed, as it is
14 known, the cost of doing that would be a cost which
15 the railways would bill to the Department of National
16 Defence?

17 A. I would say that is reasonable.

18 Q. And that is what you had in mind when
19 you gave your evidence about that, was it?

20 A. Yes.

21 Q. Now, in regard to this issue of branch
22 lines, I think - and you can correct me if I am not
23 properly stating your evidence, because I want to be
24 sure that this is right - you said that you were against
25 any subsidy for branch lines?

26 A. Yes.

27 Q. Now, then, I think you later said branch
28 line deficits should be taken out of the freight rate
29 structure. Now, that is my note, and I think that was
30 in answer to Mr. Mauro. Is that note of mine correct,
that you felt that branch line deficits should be taken



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2 out of the freight rate structure?

3 A. No, I would say that the position of
4 our association is that every incentive possible should
5 be used by the railways in avoiding deficits on branch
6 lines, but if there is no other alternative service
7 available and it is necessary to continue operation of
8 that branch line, then in that event I would say that
9 it would be satisfactory for the general freight rate
10 structure to pay the deficit. The reasoning behind that
11 is that a lot of branch lines, even although in themselves
12 they create a deficit, they contribute freight towards
13 the main line traffic.

14 Q. I think that certainly clears that matter
15 up, and that is different to my notes, and I think,
16 Mr. Chairman, I may have taken the note down wrongly.

17 But, in any event, that is your considered
18 view on this matter, is it, this question of the branch
19 lines?

20 A. I would say so, yes.

21 Q. Now, on this matter of subsidies generally
22 - this was one other area on which there were a number
23 of questions put to you and also it was dealt with in
24 your submission - your position on subsidies is this,
25 that they should not affect the freight rate structure?

26 A. Yes.

27 Q. In other words, you take the position that
28 all freight rates should have a reasonable relationship
29 to the freight rate structure?

30 A. Yes.

Q. And the only time that you would pay



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2 assistance through freight rates would be where, to
3 follow in the other method, it would cause undue ex-
4 pense; would that be it?

5 A. Yes, or any other impediments that
6 wouldn't make it possible to pay direct.

7 Q. That is administratively?

8 A. Yes.

9 Q. I think your brief said administrative
10 complexity?

11 A. Yes.

12 Q. And one of those administrative complex-
13 ities would be where there was a large number of in-
14 dividual shippers involved. Would that be one?

15 A. Not necessarily.

16 Q. For instance, the Maritime Freight Rates
17 Act may be in your view wrong in principle because of
18 the changing situation. I think you mentioned this
19 morning that it was related to excessive railway
20 mileage, and I think you and I may very well agree on
21 this matter, Mr. Paul. But there could be substantial
22 administrative complexities relating to transportation
23 assistance other than through freight rates.

24 A. I haven't studied all the necessary
25 complexities that are involved in paying subsidies,
26 but, generally speaking, I would take the position that
27 persons or localities who are favoured with subsidies
28 should submit some kind of claim or evidence of their
29 right to the subsidy. In other words, instead of it
30 all going through the freight rate structure that it be
paid direct to the shippers and receivers who paid the



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2 freight.

3 Q. It would mean that someone would have
4 to determine this conundrum as to who pays the freight.

5 A. I would respectfully suggest that the
6 receipted freight bill would be evidence that they paid
7 the freight.

8 Q. Do you think that a receipted freight
9 bill is evidence of who bears the impact of all freight
10 cost?

11 A. For the sake of subsidy, I would say so,
12 yes.

13 Q. For instance, then, there would be no
14 prepaid shipments of freight?

15 A. Yes.

16 Q. Then would you make all shipments moved
17 out of the maritime provinces prepaid?

18 A. Not necessarily. It is the same principle
19 as the feed subsidy is paid now; it is on the basis of
20 freight bills.

21 Q. In that case it is the receiver who
22 presents the claim in every case, isn't it?

23 A. As I say, I haven't studied all the com-
24 plexities, but I am quite sure that a subsidy could be
25 administered somewhere along that line.

26 Q. Isn't this your position, that what you
27 are saying is that if it is really for regional
28 assistance and not merely related to transportation
29 solely, then the freight rate structure shouldn't be
30 used as the vehicle?

31 A. Yes.



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2 Q. But if the assistance, for instance, is
3 to be given to the people on behalf of their transport-
4 ation costs, then the freight rate structure can be
5 used for the vehicle if that is the convenient way,
6 to do it?

7 A. I wouldn't put it in the category of
8 convenience, Mr. Sinclair. I would say that we should
9 avoid altogether the payment of subsidy through the
10 freight rate structure.

11 Q. Let me give you the example of grain
12 moving to export positions, and assume with me that the
13 existing rates don't allow this traffic to bear a
14 proper position in relation to the balance of the freight
15 rate structure, as you have agreed the freight traffic
16 should do - and I recall to you that the movement of
17 grain to export positions by the railroads is subject to
18 a number of special conditions, for instance, that the
19 railways can be compelled by law, are compelled by
20 law and under order of the Board to make facilities
21 available and give priorities to grain movements; there
22 is a provision in the Railway Act for that. You know
23 that?

24 A. No, I am not too familiar with that.

25 Q. You know that there are special provisions
26 in regard to loading and unloading grain, different
27 than other traffic. Are you familiar with that one?

28 A. Yes.

29 Q. Sometimes known as demurrage?

30 A. Yes.

Q. Now, there is also special provision



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2 applicable to the movement of grain in regard to the
3 way cars are made available and when they are made
4 available and where they are made available. You know
5 that?

6 A. Yes.

7 Q. Now, in the light of that, how, Mr. Paul,
8 could any assistance for the transportation of grain
9 to export positions be given, for instance, to truckers,
10 as you suggested it might be, if they undertake the
11 same obligations as the railways, I think you said?

12 A. Yes.

13 Q. But if they were physically unable to
14 take the same obligations as the railways --

15 MR. HUME: They wouldn't get the business.

16 MR. SINCLAIR: Mr. Hume, I must say that the
17 truckers associations are going to be heard later, and
18 I am not going to cross-examine you.

19 Q. Now, my question to you was this: How,
20 in the light of the special requirements of this grain
21 movement and the special obligations, could this
22 transportation assistance that we have been talking
23 about for the movement of export grain be extended to
24 trucks?

25 A. If it was a direct payment subsidy, I
26 couldn't see any difficulty there.

27 Q. Let me ask you this. How would they
28 be able to require trucks to remain at Fort William,
29 for instance, for extended periods of time awaiting
30 unloading?

A. Well, now, this is a different subject.



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Paul, cr-ex.
(Sinclair)

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2 I thought we were talking about how subsidies could
3 be taken away out of the freight rate structure and
4 dealt with separately. In that respect I claim that
5 it can be handled by trucks as well as by rail. But
6 the actual handling of grain is a different subject,
7 and I readily agree there are certain difficulties with
8 respect to truck handling, and, in my opinion, I do
9 not think they could meet the obligations of the railways
10 with respect to the actual handling.
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2 Q. And for instance, Mr. Paul, this require-
3 ment to make facilities available and giving priority
4 movements to grain, which is a normal part of the grain
5 movement -- that could not be applied to truck trans-
6 port?

7 A. Well, I would not like to give a definite
8 "no" to that, Mr. Sinclair. It may be possible. We
9 have got bulk carriers now by truck that might be able
10 to participate. I do not know.

11 Q. Do you know how many box cars are required
12 to move the western Canadian grain crop to export
13 positions?

14 A. No, but I imagine it is substantial and
15 I do not think, if you are coming to the question of
16 the trucks handling all the grain business, that that
17 is possible.

18 Q. No, I am not coming to that question,
19 if that was a question directed to me. What I am
20 asking you as an experienced transportation man is this.
21 If the railways, and if the movement of grain to export
22 positions require obligations as to giving it priority
23 and to maintaining facilities enough to carry this
24 tremendous amount of traffic, I am asking you as an
25 experienced transportation man to tell the Commission
26 how you think that type of traffic could be handled
27 by trucks?

28 A. Well, I think it is possible, Mr. Sinclair,
29 that a portion of it could be handled by trucks. I
30 do not say that the whole amount of traffic could.

Q. If the railways were relieved of their



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2 special obligations in regard to grain, that would have
3 to be applied first, would it not?

4 A. I would say that as a condition
5 the trucks would have to submit to the same conditions
6 as the rails in the handling of the traffic.

7 Q. Or another way of putting it is that the
8 railways would be relieved of those special conditions
9 that are applied to them, would it not?

10 A. I would not go so far as to say that.

11 MR. SINCLAIR: I wonder whether Mr. Mauro
12 also wants me to cross-examine either now or later
13 --

14 MR. MAURO: I enjoy this much more.

15 MR. SINCLAIR: Q. As an experienced trans-
16 portation man, would it be your position that the railways
17 be relieved of these special obligations in regard to
18 the handling of grain?

19 A. No, I would not say so. These special
20 regulations may be necessary in the handling of the
21 grain, but I would say that, if the truckers want
22 to participate in it, they will have to meet the
23 same conditions.

24 Q. And that would include free time at
25 terminals, having available equipment and all these
26 matters?

27 A. Whatever is involved in the movement
28 of the grain.

29 COMMISSIONER GOBEIL: Do you mean to say,
30 Mr. Paul, that in the case of grain, if a subsidy
the way you want it was given to the farmer instead



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2 of to the railways, you say the railways would still
3 have to carry the grain at statutory rates, even if
4 a subsidy is given to the farmer?

5 THE WITNESS: These questions have all
6 been based on the fact that a subsidy is going to
7 be paid. That is not our position with respect to
8 the matter but, assuming that, we would say so, that
9 the subsidy should be paid direct to the farmer or to
10 the Wheat Board or whatever agency would be most con-
venient to distribute the subsidy.

11 COMMISSIONER GOBELL: And still the railway
12 become eligible to carry that --

13 MR. MAURO: No, no.

14 MR. SINCLAIR: I do not know why my friend
15 wants to answer the question the Commissioner put to
16 the witness.

17 MR. MAURO: It is all right.

18 MR. SINCLAIR: I do not think it is all
19 right. Let Mr. Paul answer it.

20 THE CHAIRMAN: Mr. Paul will answer the
question.

21 THE WITNESS: Well, the subsidy that I am
22 talking about, sir, is the difference between the
23 compensatory rates, when they are set, and the present
24 Crow's Nest rates. We are supposing that that would
be the amount that would be subsidized.

25 MR. SINCLAIR: Well, I think that what the
26 learned Commissioner is putting to you, Mr. Paul, is
27 this.

28 MR. MAURO: Is the learned counsel telling
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2 the witness what the learned Commissioner is putting
3 to Mr. Paul? The learned Commissioner can tell Mr. Paul
4 himself.

5 MR. SINCLAIR: Q. If I am misstating any-
6 thing, Mr. Paul, I am quite sure the learned Commissioner
7 will correct me. What I suggest to you arises out of
8 the learned Commissioner's question to you is this. If
9 you said to the railways, "You must have a continuing
10 responsibility to handle grain, and the charge that
11 is to be made to the farmer is as it exists today, and
12 any difference between that and a just and reasonable
13 rate is to be collected from some agency such as the
14 Wheat Board," then I suggest to you that the railways
15 would have to apply to someone, based on each of the
16 shipments made --- is that correct -- because the
17 rates are not all the same? It would have to be done
18 on each shipment?

19 A. Perhaps I am not too clear on your proposal,
20 sir, but my view in respect to that movement is that
21 when a reasonable compensatory rate is established by
22 the Board that will be the rate that will be charged
23 and collected by the railways.

24 Q. I see.

25 A. And then the difference between that rate
26 and the present rates would be paid by the federal
27 treasury and distributed to the farmers through the
28 Wheat Board or some agency that would pay the subsidy
29 direct to whoever should get the benefit of it.

30 Q. And if that were so, how were you going to
fix -- and this was going to be traffic in which the



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2 railways and trucks would share the business -- how
3 would you fix the truck rates? For instance, as you
4 know, grain now moves either eastbound or westbound --

5 MR. MAURO: Churchill.

6 MR. SINCLAIR: Q. -- Churchill or Prince
7 Rupert -- and the rates are all fixed. Would you require
8 truck rates then to be regulated for the movement of
9 grain?

10 A. I do not see the difficulty there. I
11 suppose that if the truckers want to participate in
12 this business they will have to do so at the established
13 rates.

14 Q. And they would then be compelled to move
15 it at the rates that might be fixed by the Board of
16 Transport Commissioners, for instance, as a just and
17 reasonable rate for the movement of grain?

18 A. The subsidy would be paid, I would say,
19 on the basis of the rail rates.

20 THE CHAIRMAN: I think that in fairness to
21 Mr. Paul I should point out that he has not tried to
22 think through this whole problem.

23 THE WITNESS: No, I have not, but I am just
24 basing my answers, sir, on the wide --

25 THE CHAIRMAN: You have not given attention
26 to the details?

27 THE WITNESS: That if the trucks want to
28 participate in the business they have to meet the same
29 conditions as the railroads.

30 MR. SINCLAIR: Q. And charge the same rates?

A. They would not get the business if they



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2 charged more.

3 Q. And they would have to carry both short
4 haul and long haul traffic?

5 A. Conditions all similar.

6 Q. All similar?

7 THE CHAIRMAN: They would have to compete?

8 THE WITNESS: Yes, sir.

9 MR. SINCLAIR: I think you may be quite right,
10 Mr. Chairman, and in view of the fact that the truckers
11 are coming here and I think their counsel or some other
12 witness will be available, they will ask the same
13 questions.

14 THE CHAIRMAN: You will have lots of
15 opportunity.

16 MR. SINCLAIR: Q. Mr. Paul, the railways now,
17 for instance, in British Columbia, operate -- and the
18 Canadian Pacific has had in operation for some months --
19 a fully integrated merchandise service by rail and
20 rate with one pickup truck and matters of that kind.
21 You are familiar with that service?

22 A. Yes.

23 Q. Are you in favour of that type of operation?

24 A. Yes.

25 Q. And your statement that the railways should
26 have freedom to introduce new services and to experiment
27 with new services would encompass that type of service,
28 a fully integrated service?

29 A. Yes.

30 Q. Is your association and are you personally,
based on your experience, in favour of piggyback?



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A. Yes.

Q. By both all-railway equipment and also common carrier equipment?

A. Yes.

Q. I have one note here, Mr. Paul, and I do not know whether this arose out of your cross-examination, but I rather think that it did. As a traffic man, is it of assistance to know what the transportation charges are before you make the shipments?

A. That is an unnecessary question to me, sir.

THE CHAIRMAN: It answers itself.

MR. SINCLAIR: Q. Are you, therefore, in favour, Mr. Paul, of having tariffs filed to cover all transportation services?

A. If I may qualify that, I would say, all transportation services interprovincially.

Q. Interprovincially?

A. Yes.

Q. Well, why is it not necessary to know what the charges are before you make the shipment intra-provincially?

A. We do know what the rate will be before we make an intraprovincial shipment.

Q. What if the receiver is the man that pays the charges? How does he know?

A. I do not know whether he knows or not. I cannot answer for him.

Q. Don't you think he should have the ability to know?



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2 A. It depends on whether he pays the freight
3 or whether the freight is prepaid.

4 Q. You say you are in favour of having all
5 media of transport publish and file tariffs inter-
6 provincially?

7 A. Yes.

8 Q. So that would mean the railways on intra-
9 provincial rates would not have to file tariffs covering
10 those?

11 A. I did not go that far.

12 Q. Will you go that far now that I have
13 put it to you and drawn it to your attention?

14 A. No, I would not.

15 Q. Then your earlier statement that you
16 only wanted tariffs filed interprovincially -- do you
17 now say you want tariffs filed both inter and intraprovincially?

18 A. Not intraprovincially, with respect to
19 trucks.

20 Q. But you would still want them filed intra-
21 provincially with respect to rail?

22 A. Yes. In fact, there is no choice, as
23 you well know, Mr. Sinclair.

24 Q. Well, that is the law as it exists today,
25 but the law is a changing, living thing.

26 A. Yes.

27 Q. Except in one section of the Railway
28 Act, that is, section 328, subsections 6 and 7, for the
29 information of the Board.

30 A. I would say that the answer still is no.



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2 Q. What are the reasons, for the assistance
3 of the Commission, why you think intraprovincial
4 tariffs on railways should be filed but they should
5 not be filed for intraprovincial trucking?

6 A. Well, sir, in intraprovincial truck
7 shipments the truckers actually publish tariffs and
8 distribute them to shippers. While they are not filed,
9 the shippers know the rate and a number of reasons
10 that our organization, along with others, oppose the
11 filing and regulation of tariffs on intraprovincial
12 shipments is that there are so many operators that
13 would have to file the tariffs that it would be a
14 very large administrative job to even find room to
15 hold all the files and to administer them or police
16 them.

17 Q. Mr. Paul, could they not use the agency
18 system of tariff publication?

19 A. It is possible.

20 Q. And it would solve any administrative
21 problems?

22 A. No, that would not solve all the problems
23 either.

24 Q. What you are concerned about is the
25 policing of it, isn't it?

26 A. No, the problems in filing them and I
27 might add for the information of the Commission that
28 the Ontario division of our organization made represen-
29 tations to the Department of Highways of Ontario in
30 which all of these reasons are outlined, and to save
time here if it is your wish, we would be pleased to



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2 send a copy of that submission.

3 THE CHAIRMAN: We would be glad to have it.

4 MR. SINCLAIR: Q. Now, Mr. Paul, I take it
5 it is your position and the position of your association
6 that interprovincial truck tariffs should be filed and
7 presumably that would also entail a penalty for
8 non-compliance, would it, the same as the railways,
9 non-compliance with published rates?

10 A. Yes, I would go along with that that the
11 published tariff rates would have to be adhered to.

12 Q. Yes, and would you also cover in that,
13 and I presume you would, just to make it clear, both
14 tariff rates and contract rates just like the railways?

15 A. Yes.

16 Q. I think that is all I have, Mr. Chairman,
17 unless there is some area that the Commission wishes
18 me to follow up.

19 THE CHAIRMAN: Thank you, Mr. Sinclair.

20 MR. SINCLAIR: I do wish to thank Mr. Paul
21 on behalf of Canadian Pacific for coming here and
22 assisting us in clarifying some issues that seemed to
23 require clarification from him.

24 MR. HUME: I wonder, Mr. Chairman, if when
25 Mr. Paul sends a copy to the Commission that he might
26 include myself and any other counsel.

27 THE WITNESS: We will do so.

28 THE CHAIRMAN: If he could send a copy to
29 Mr. Hume and Mr. Mauro.

30 MR. SINCLAIR: I would suggest anyone who
wants to should write to Mr. Treloar.



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2 THE CHAIRMAN: All right, that will be fine.

3 BY COMMISSIONER BALCH:
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5 Q. Mr. Paul, at page 5 of your brief you
6 have a quotation and there is a preceding sentence
7 that says this:

8 "It also commends for inclusion in an investigation
9 by a committee of congress the following areas of
10 inquiry."

11 Has the Canadian Manufacturers' Association
12 any reason to believe that labour-management relations
13 in the Canadian railway industry is any worse than
14 any other Canadian industry?

15 A. No, sir, there is no inference there,
16 I hope there is not because that is not our position.

17 Q. Well, later on in the same quotation
18 you say

19 "including a review and revision of working rules".
20 Has the C. M. A. made any study of the form of working
21 rules?

22 A. No, sir.

23 Q. In other words, you are merely accepting
24 the suggestion of the United States committee?

25 A. Yes, we are assuming that so far as
26 passenger deficits are concerned that we in Canada are
27 faced with a parallel situation as that in the United
28 States. These recommendations having been made in the
29 United States, we think a similar investigation should
30 be made in Canada.

Q. You did not go into it closely because I



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2 noticed on the bottom part of that it mentions "other
3 phases of labour-management relations". "We believe
4 that the investigation should not be limited to the
5 narrow issues of the working rules but should cover
6 other phases of the labour-management relations."

7 You have just quoted?

8 A. That is right, that is a direct quotation
9 and I have marked mine as a direct quotation.

10 Q. It is marked on here too but I wonder if
11 the C. M. A. made any investigation to see if the
12 conditions existing in the United States are also the
13 same in Canada?

14 A. No, we were looking at it from the
15 general standpoint of the passenger deficit situation.

16 BY COMMISSIONER GOBEIL:

17 Q. You told Mr. Sinclair that you did not
18 have any objection to piggyback transportation.
19 Mr. McDonald also asked you if you were afraid of a
20 monopoly and you said you were not afraid of a monopoly
21 but I did not get if it was in connection with piggyback
22 transportation. If the railways will give any straight
23 truck transportation, do you think there would be a
24 danger of monopoly?

25 A. No, I do not think so. Our position in
26 respect to that matter is that the railways should
27 adopt all methods of transportation that is going to
28 reduce the cost of the transportation service. It
29 might be piggyback or containers or other methods.
30 There have been a lot of new techniques introduced in



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2 the transportation over the past few years and we
3 are in favour of all these new techniques that are
4 going to reduce the over-all cost of transportation.

5 Q. And you do not think there is any danger
6 that that might control the truck transport?.

7 A. No.

8 COMMISSIONER GOBEIL: Thank you.

9 BY COMMISSIONER MANN:

10 Q. I suppose you took these questions from
11 the committee of congress or did you take these partly
12 because it is the view of your association that any-
13 thing that has been there for a long time should be
14 looked at?

15 A. Is that with respect to the passenger --

16 Q. The two paragraphs you quoted from the
17 committee of congress investigation?

18 A. Yes.

19 Q. And that is quite consistent with what
20 you say about subsidies, is it not, it has been there
21 for some time and it should be looked at. You are
22 not saying it should be abolished, you are saying it
23 should be looked at?

24 A. No, we are saying that there should be
25 an investigation made similar to these recommendations.

26 Q. Yes, because it has been there a long
27 time you feel it should be investigated?

28 A. Yes, if there is a possibility of elimin-
29 ating passenger deficits we should be looking into
30 that problem.



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2 Q. Because conditions and circumstances
3 may have changed?

4 A. Yes.

5 Q. And that is the same with the subsidies,
6 the maritime freight rates, etc., conditions have changed
7 and you want to investigate them?

8 A. Yes.

9 Q. And you feel the same way about the
10 tariff structure of Canada also, of course?

11 A. Yes, but that is outside of my jurisdiction.

12 Q. But it would be the same principle, it
13 has been there for a long time and you want it looked
14 at?

15 A. Yes.

16 Q. Now, on page 3 of your brief there is
17 a phrase there that I wondered about. You say there,
18 starting at the bottom of page 2:

19 "It is conceivable that when some of the existing
20 transportation subsidies were introduced, rail
21 transportation represented a semi-monopoly service
22 and freight rates were correctly considered to be
23 the most appropriate and convenient means of
24 distributing such economic aid."

25 Now, I do not think we can establish a
26 definition of what a semi-monopoly is in the course
27 of this discussion, but supposing it was found, such
28 a definition was found and it were then apparent that
29 the railways on certain traffic under certain
30 conditions still have a semi-monopoly, would then
the distribution of economic aid by subsidies still be



1
2 correctly considered to be the most appropriate and
3 convenient means?

4 A. I would say no to that, sir.

5 Q. In other words, circumstances have
6 changed?

7 A. Yes.

8 Q. It is quite apart from the question of
9 semi-monopoly?

10 A. Yes.

11 Q. That the context of modern business is
12 different and you must look at it differently, not
13 in the historical sense?

14 A. That is right, and there is also the
15 other matter that I brought up previously. I think that
16 by trying these subsidies under the freight rate
17 structure you cause inequities in the other areas which
18 the freight rate structure should not have.

19 Q. So you see what it comes down to just so
20 we can look at this brief in the light of your evidence.
21 Now, subsidies at no time in Canada, if they were tied
22 to the freight rate structure, were correct whether
23 or not semi-monopoly existed?

24 A. I would say that would be our position
25 with respect to the freight rate structure.

26 Q. Yes, I realize you have to look at it
27 retrospectively but in the wisdom of the times it was
28 considered appropriate but in retrospect you now say
29 that semi-monopoly or no semi-monopoly, these subsidies
30 are at no time if they do something to the freight rate
structure, that is your general position?



1
2 A. Yes, and if I might give you an example
3 -- under the Maritime Freight Rates Act, for instance,
4 the class rates from Saint John to central Canada here
5 to Windsor, the first class rate from Saint John is
6 \$3.78. That is under the operation of Maritime Freight
7 Rates Act, but you go to a place like Quebec City
8 which you might say is intermediate, and the class 100
9 rate from Quebec City to Windsor is \$4.25.
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15 (Page 9965 follows)
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1 Q. Have you got the class rate from Levis?

2 A. It would be the same as Quebec, I would
3 say.

4 Q. Would it?

5 A. I am pretty sure. Yes. From Victoria-
6 ville and Sherbrooke the rate is \$3.92. So, that is
7 what I mean, where you have inequities there caused
8 directly by the application of a subsidy being related
9 to the freight rate structure.

10 Q. And that would be in violation of the
11 short haul long haul principle?

12 A. Yes, it is.

13 Q. And that was recognized when the Maritime
14 Freight Rates Act was promulgated by statutory provision
15 in the Act?

16 A. Yes.

17 Q. You have been questioned by so many
18 learned counsel, and you said in discussion with one of
19 them that each transportation agency should pay its way.
20 My question to you is this. If it can be shown that
21 a given transportation agency -- and I haven't any
22 one particular in mind at the moment -- does not pay
23 its way, what do we do?

24 A. In respect of a freight service?

25 Q. Yes, let us take freight service: supposing
26 a given transportation agency --and without implying that
27 trucks do not pay their way, let us assume that an
28 authoritative investigation showed beyond all shadow
29 of doubt that trucks do not pay their way, what do we do
30



1 then in the light of the principle that you adhere to,
2 that every transportation agency should pay its way?

3 A. That would not alter our policy. We
4 say, if they are not paying, then they should.

5 Q. They should be made to pay?

6 A. Yes, sir.

7 Q. Would you then advocate user charges, for
8 instance, for highway users by way of an increase in
9 the gasoline tax or ton mile charges or axle charges?

10 A. I would say, as far as we are concerned,
11 the same policy should carry all the way through.

12 Q. You would want user charges to bring them
13 up to the point where they do pay their way?

14 A. The people that use the services should
15 pay the cost.

16 Q. Looking at steamships, for instance,
17 when the St. Lawrence Seaway was opened the federal
18 government, in conjunction with the United States
19 government, decided to impose user charges by way of
20 tolls for the users of the St. Lawrence Seaway, and
21 that would be along the lines of what you have in mind?

22 A. Yes, sir.

23 Q. And the same thing would hold true of
24 canals such as the Welland Canal?

25 A. Yes.

26 Q. The users of the Welland Canal should
27 pay tolls?

28 A. Yes, under certain modifications: and
29 there has been quite a discussion on that very subject
30



1 with respect to the Welland Canal.

2 Q. I understand that.

3 A. In which our Association took the position
4 that with respect to certain traffic there should still
5 be free tolls on that particular traffic.

6 Q. Yes?

7 A. The traffic I refer to is traffic from
8 Lake Erie up to Lake Ontario which has moved, ever
9 since there were canals, toll free, and in which the
10 Welland Canal, although it has been deepened and so on,
11 does not contribute any advantage to that type of
12 traffic. With respect to that particular traffic,
13 we advocated that it should still be toll free.

14 Q. I think that is a perfectly logical posi-
15 tion, but if every transportation agency should pay
16 its way, then the provision of free canals to any user
17 anywhere in Canada would violate that principle, wouldn't
18 it?

19 A. Yes.

20 Q. So, while your Association was quite right
21 in taking the argument it did, with regard to certain
22 traffic we have in mind on the Welland Canal, that was
23 independent of this general principle that users of
24 facilities should pay for the use thereof?

25 A. Yes.

26 Q. The same thing, I suppose, would be true
27 for air lines who have provided for them, out of the
28 public treasury, airways, radar and airports. If it
29 were shown, for instance, that an air line using a certain
30



1 airport was not contributing enough to the maintenance
2 of that airport, the landing fees, for instance, for
3 that line might be increased so that it would pay its
4 own way?

5 A. Yes.

6 Q. I wonder whether there are any conditions
7 under which transportation may be regarded as an instru-
8 ment of national policy? I don't know whether you have
9 addressed your mind to that at all? If you have not,
10 let us not pursue that.

11 A. I can see there may be circumstances
12 under which that question would be applicable.

13 Q. For instance, when we look at the north
14 today, if it were desirable to provide a network of
15 transportation facilities for the north, the north at
16 the moment could not pay its own way, but it was impor-
17 tant for the national interest, would you think it
18 would be quite defensible to use transportation as an
19 instrument of national policy for northern development?

20 A. As an instrument of national policy I
21 may go along with that, providing that all of the circum-
22 stances and facts have proved that that was a public
23 necessity.

24 Q. Oh, yes, after most thorough investigation.
25 When you had your discussion with Mr. Sinclair, Mr.
26 Sinclair suggested to you that with regard to passenger
27 services, where it could be shown that Canadian National
28 was the dominant passenger line in any particular area,
29 they should do the service and the C.P.R. should bow
30



1 out of the picture, and my note says that you agreed to
2 that. Would the reason be, in your opinion, that by
3 doing so costs can be cut and greater efficiency achieved?
4

5 A. Yes, and the same service -- at least,
6 the essential services continued.

7 Q. Now, if that is a good principle for
8 passenger service, why is it not a good principle for
9 freight service, if it can be shown -- to make this
10 clearer -- if it can be shown that the same quality of
11 service can be kept up by Canadian Pacific, if it is
12 the dominant carrier in any one particular area or on
13 any one particular line, why should Canadian National
14 not be asked to abandon that service -- the freight
15 service -- in order to cut costs?

16 A. We are in favour of cooperation in that
17 respect, where it can be done without injury to the
18 patrons.

19 Q. The same principle holds true not only
20 for passenger services, but also for freight?

21 A. Yes.

22 Q. Thank you very much indeed.

23 THE CHAIRMAN: I think, following the last
24 question of Mr. Mann, that some time ago the Commission
25 wrote to the railways asking for information about the
26 Canadian National-Canadian Pacific Act, and we have had
27 no reply, and we are very anxious, having regard to
28 our fairly long adjournment now, to get the reply in.

29 MR. SINCLAIR: Speaking for Canadian Pacific,
30 Mr. Chairman, I was going to follow this practice: that



1 when we were making our substantive submission on a
2 number of matters still outstanding, we would include
3 our remarks concerning the C.N.-C.P. Act, and what
4 alternative action we have taken or propose taking on
5 matters of that kind, rather than trying to deal with it
6 by answering the letter -- if that would meet the
7 Commission's desires?

8 THE CHAIRMAN: Well, of course, we have
9 written the railways some time ago and haven't heard
10 from them at all. I don't think there is any reply.

11 MR. SINCLAIR: I answered that letter by
12 saying that we were intending to deal with it. I don't
13 know what has happened to the reply; I remember sending
14 it. But, in any event ---

15 THE CHAIRMAN: Well, we have quite a long
16 adjournment now and we would like to get it.

17 MR. SINCLAIR: What I am saying, Mr. Chairman,
18 is that, if you will allow us to handle it this way, it
19 would suit our convenience better to deal with this
20 matter in the whole context.

21 THE CHAIRMAN: Well, we will advise you.

22 THE WITNESS: Mr. Chairman, there is one
23 matter that I would like to refer to if I may, and I am
24 sorry Mr. Mauro is not here, and it was in connection
25 with his cross-examination of me on the recommendation
26 of Manitoba for the appointment of a new Board to
27 coordinate ---
28

29 THE CHAIRMAN: A new authority?

30 THE WITNESS: Yes, and I think I left the



1 inference there that our Association was pretty well
2 satisfied with the status quo, and I would like to
3 state that in connection with that matter we think that
4 the same purposes that Manitoba hopes to arrive at in
5 that suggestion could be achieved by the appointment of
6 a coordinating committee consisting of experts which
7 we already have in our various regulatory bodies, such
8 as the Department of Transport and the Board of Transport
9 Commissioners and the Air Board and the Maritime Commis-
10 sion -- bodies like that, in which there are experts in
11 these various fields, and I think it would be appropriate
12 to have, rather than a new Board, a committee from those
13 to study it.

14
15 THE CHAIRMAN: Well, I don't think the
16 suggestion of Manitoba was for a new Board, as such.
17 It was something along the line you have suggested your-
18 self.

19 THE WITNESS: Oh, I see. Well, then, I would
20 like to change my position in that respect, because we
21 think that a committee such as that ---

22 THE CHAIRMAN: A coordinating committee?

23 THE WITNESS: Yes; it would be helpful.

24 COMMISSIONER MANN: It would be essentially an
25 interdepartmental committee that now functions once
26 in a while on an ad hoc basis?

27 THE WITNESS: Yes, we think that would be ad-
28 visable.

29 THE CHAIRMAN: Thank you very much, Mr. Paul;
30 you have been a real help to us.



1 Before we take a recess, there are gentlemen
2 here from Quebec and they are pretty anxious to catch
3 a train at four-thirty, and we are quite willing to
4 cooperate with them. So, after we have a short recess,
5 we will assist them by having taken into the record the
6 submissions they have made, and proceed with the cross-
7 examination so that they can catch their train.
8

9 ---Short recess.
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1
2 BRIEF SUBMITTED
3 BY
4 THE NORTHERN MAINE SECTION
5 of the
6 TRANSPORTATION COMMITTEE
7 of
8 Kamouraska, Temiscouata, Riviere-du-Loup
9 Counties, Northwestern New Brunswick
10 and
11 Northern Maine (U. S. A.)
12

13 Appearances:

14 Rosaire Gendron, Mayor of Riviere-du-Loup
15 Antonio Dupe, President, Chamber of Commerce, Riviere-
du-Loup
16 Emilien L. Morin, Mayor of Cabano and President of the
Transportation Committee
17 Senator Edward Cyr, Madawaska, Maine.
18
19

20 Mr. Chairman, Members of the Commission,
21 Royal Commission on Transport: This report as regards
22 to potential traffic from northern Maine is understandably
23 of general nature. In order to present a more compre-
24 hensive report would have entailed a thorough investi-
25 gation of the rather complex economic factors involved
26 and to be able to arrive at definite conclusions on
27 the feasibility of such a project would have required
economists and specialists trained for that purpose.

28 In view of the fact that we had no budget
29
30



1
2 and no trained specialists, I had to obtain the infor-
3 mation from already existing agencies. I would like
4 at this stage to thank U. S. Representative McIntyre,
5 the Northern Maine Production Credit Association,
6 Extension Service of Maine, Maine Department of Economic
7 Development, Potato Council and many of the Chambers
8 of Commerce of the county for their help and their
9 advice.

10 After a study of the geography touching the
11 St. Lawrence river, it is understandable that northern
12 Maine could benefit greatly by the advent of port facili-
13 ties at Riviere-du-Loup, which is only 75 miles away.

14 If we are to derive from the seaway, it is
15 only through Riviere-du-Loup that we can do it econom-
16 ically and effectively.

17 The industry that would benefit the most
18 would be the potato industry by utilizing seaway water
19 transportation to reach middle west markets which are
20 accessible to us only on a limited scale due to trans-
21 portation rates.

22 At present, Maine ships in those areas
23 approximately 3,800 cars of potatoes annually, which
24 represents less than ten per cent of their total con-
25 sumption. There is a definite trend between freight
26 rates and the percentage market that we enjoy.

27 If we take four selected points, namely
28 Cleveland, Ohio; Detroit, Michigan; Chicago, Illinois,
29 and Milwaukee, Wisconsin. We find that Maine supplies
30 approximately 17.8 per cent of Cleveland market, while
in comparison Idaho supplies only 12.6 per cent. The



1
2 freight differential is 0.27 cents per hundred pounds
3 (cwt) in our favour. In Detroit our percentage of the
4 market is 14.2 per cent while Idaho comes in with 21.4
5 per cent. The freight differential on this market 0.18
6 cents per hundred pounds (cwt).

7 When we reach Chicago, our shipments are
8 negligible, less than one per cent of their consumption,
9 as against 22.2 per cent from Idaho and 25.3 per cent
10 from Minnesota and North Dakota. The freight differ-
11 ential is 0.20 cents per hundred pounds (cwt) in favour
12 of Idaho and 0.55 cents per hundred pounds (cwt) for Minne--
13 sota. It is not surprising that our shipments are so
14 small. It is estimated that our shipments could be in-
15 creased by about 5,000 cars annually if we had port
16 facilities to transport our products more economically
17 to these markets. This increase would represent approx-
18 imately ten per cent of our production and would represent
19 new markets. I would venture to say that this might
20 represent the turning point in our potato industry which
21 has been plagued by over-production. It is also the
22 consensus of opinion that our potato farmers cannot con-
23 tinue to cut their acreage and maintain an economical
24 production.

25 Our only solution lies in new markets and the
26 seaway certainly offers us a challenge, as well as a great
27 opportunity to explore new markets in the Great Lakes
28 region. With the advent of "Piggy"-back and "Fishy"-back
29 shipments, these developments offer wide possibilities.
30 We do not foresee any adverse effect on existing trans-
portation companies since any shipments through the



1
2 seaway be new business and the railroads would keep on
3 carrying shipments to our existing markets. We should not
4 also overlook overseas markets to South America and
5 Europe which a deep water port would possibly establish.

6 Other Aroostook County commodities or manu-
7 factured goods that might use seaway routes could be:
8 Paper products from Fraser Paper Limited, wood products
9 of various kinds and this new route might conceivably
10 change the picture in regards to future development of
11 manganese in Aroostook. It would travel the same route
12 to the steel mills as iron ore. This would also be a
13 natural outlet of scrap iron.

14 Now that the seaway is a reality, it is only
15 natural to try to establish lines of commerce that
16 would take advantage of water born possibilities. One
17 of the natural back haul cargoes to Aroostook would be
18 automobiles from Detroit. The 1954, U. S. census of retail
19 trade gives a figure of \$16,889,000 for total retail
20 sales in Aroostook county. In the same year, retail sales
21 by farm equipment dealers totalized \$2,494,000. These
22 two commodities, no doubt, would represent substantial
23 shipments at material savings to the communities of
24 northern Maine.

25 Hides and skins from the stockyards of Chicago
26 could also become a backhaul cargo to supply Maine
27 tanneries. Or better still, cheaper transportation
28 of hides would make it feasible to establish tanneries
29 in Aroostook county.

30 The Department of Economic Development of Maine
in their letter of May 18, states that "The Maine



1
2 Poultry Associates have recently given considerable
3 thought to the possibilities of grain shipments by water
4 to service the various broiler producing areas in the
5 State". This can only be routed through northern Maine
6 and then on through some Canadian port. The report to
7 the State of Maine Legislative Research Committee of
8 December 21, 1956, also states that "Access to midwestern
9 grain at lower cost, might stimulate diversification of
10 Aroostook agriculture". This same report also acknow-
11 ledges that "should port facilities be developed in this
12 area, it might offer possibilities for northern Maine".

13 Realizing that a deep water port at Riviere-
14 du-Loup would be a project by the Canadian government,
15 we can only suggest the possible economic potential to
16 our northern Maine economy. However, the history of Maine
17 and the two neighbouring provinces of New Brunswick and
18 Quebec is a fine example of close co-operation and
19 friendship. It is for the above reasons that I take
20 the liberty of acquainting you with the significance
21 that this project would have for the northern Maine.
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BRIEF SUBMITTED

BY

THE NORTHWESTERN NEW BRUNSWICK SECTION

OF THE

TRANSPORTATION COMMITTEE

OF

Kamouraska, Temiscouata, Riviere-du-Loup

Counties, Northwestern New Brunswick

and Northern Maine (U.S.A.)

Prepared and Presented

by

MR. ALPHEE LEVESQUE

President of the Transportation Committee

of the

EDMUNDSTON CHAMBER OF COMMERCE

Director, Maritime Provinces Board of Trade

and

Vice-President of the Executive Committee.

Mr. Chairman, Members of the Commission, Royal Commission on Transport: I have the honour of addressing you on behalf of the people of northwestern New Brunswick.

At the outset, I would point out that although our area appears small on the map, in relation to the vast country which is Canada, the distances to markets are surprisingly great and transportation costs are a serious deterrent to the economic growth of our region. In short, I wish to impress upon you, gentlemen, that



1
2 transportation in our area has always been our biggest
3 problem, and it is the seriousness of this problem which
4 prompted the Edmundston Chamber of Commerce to arrange
5 the first meeting of serious-minded business people of
6 northern Maine, of northwestern New Brunswick and the
7 counties of Temiscouata, Riviere-du-Loup and Kamouraska
8 in the province of Quebec.

9 To my knowledge, this is the first time that
10 the people of such a large area, extending over a large
11 part of southeastern Quebec and over one-eighth of the
12 province of New Brunswick and across Aroostook county in
13 the state of Maine, have united their efforts to solve
14 this number one problem, common to all three regions, which
15 is transportation; and, gentlemen, when I mention the
16 people of these regions, I do not mean a segment of the
17 population, or a group of business people, I mean to say
18 that committees have been at work making surveys and
19 talking to people in all walks of life and I wish to
20 impress upon you that the entire population of the regions
21 represented here is united in its demands and agrees
22 that the establishment of a deep-water seaport at Gros
23 Cacouna is the only solution to our common transportation
24 problem.

25 You may well wonder why Gros-Cacouna is
26 mentioned as the only satisfactory link to the seaway,
27 and I hasten to explain that any location within a
28 radius of ten miles of Riviere-du-Loup would be satis-
29 factory, and in this neighbourhood, Gros Cacouna best
30 meets all the requirements of a year-round sea port; it
is entirely free from ice, it has the advantage of deep



1
2 water over a good bottom and is easily accessible by
3 highway and by a railway spur line.

4 A quick look at the maps shows that Riviere-du-
5 Loup is 75 miles from Edmundston, N. B.; Madawaska, Maine;
6 it is 80 miles from Clair, N.B.; Fort Kent, Maine, and it
7 is 100 miles from St. Leonard, N. B.; Van Buren, Maine,
8 all three points being international twin cities linked
9 together by international bridges.

10 Down through the course of history, this has
11 been the accepted communication route between Upper Canada
12 and Lower Canada; the mail was carried this way; the army
13 travelled through here several hundred years ago and still
14 does today and with the passing of the years, good highway
15 and railway connections have been established. Thus, we
16 find number two national highway from Riviere-du-Loup is
17 now in the course of being rebuilt to Trans-Canada standard
18 from the provincial boundary, north of Edmundston, across
19 the length of our province to the Nova Scotia border.

20 A unique factor in support of a sea port at
21 Gros Cacouna is the fact that rail and highway install-
22 ations already in operation are ideally situated to ser-
23 vice such a sea port; in other words, if land install-
24 ations to service this port did not exist and had to be
25 built, I cannot see why they would be installed any
26 differently than the existing facilities.

27 Checking this on the map, we see that at
28 Riviere-du-Loup, the Temiscouata division of the Canadian
29 National Railways connects with the railway centre of
30 Edmundston, N. B., which is a divisional point on the
Canadian National and a terminal point of the Canadian
Pacific Railway systems; from Edmundston south the



1
2 Canadian National and Canadian Pacific operate on the same
3 tracks for a distance of thirty miles through St. Leonard
4 making this point the ideal rail transfer point in this
5 country, as there is an international railway bridge at
6 St. Leonard connecting the two Canadian railway systems
7 with the Bangor & Aroostook Railway at Van Buren, Maine;
8 then, we see that the Canadian National has a division
9 to Campbellton to connect St. Leonard with the entire
10 north shore country of New Brunswick; the Canadian
11 National, also has a division south to Moncton, and one
12 to Fredericton and another known as the Valley Division
13 to Newburg, all these installations being on the east
14 side of the Saint John valley, while on the west side
15 of the Saint John valley, the Canadian Pacific has a
16 division to Saint John, one to Montreal, another to
17 St. Stephen and a most important one to this project is
18 the C. P. R.'s international division from Aroostook
19 Junction in Victoria county to Presque Isle, Maine,
20 in the heart of the Aroostook potato country.

21 Thus, we have seen that a convenient arrange-
22 ment of rail transfer facilities exists at St. Leonard,
23 N. B., where the two great railway systems of Canada
24 would interchange freight for and from their respective
25 areas of service with each other and with the Bangor &
26 Aroostook Railway.

27 Now, we come to the question of the potential
28 volume of transportation business in this part of the
29 country, and I wish to point out that in order to get
30 an accurate count of traffic, the Edmundston Chamber of
Commerce has made a survey of the entire area and here
is actual count of traffic for the calendar year 1958
in tons:



SEAWAY SURVEY NORTHWESTERN NEW BRUNSWICK

CALENDAR YEAR 1958 IN TONS

ZONES

MARITIMES

EASTERN

CENTRAL

TRAFFIC IN PRODUCTS

TOTAL

H'WAY

RAIL

H'WAY

RAIL

H'WAY

RAIL

1. Coal

205,803

65

205,868

2. Petroleum Products

36,375

3,421

8,000

60

47,856

3. Cement

2,644

3,032

5,676

4. Building Materials

6,852

17,236

100

1,160

25,348

5. Fertilizer, Chemicals, Lime,
Grain & Stock Food

42,896

29,338

260

13,200

100,694

6. Food Products

3,273

13,253

2,305

2,063

750

22,648

7. All Other Manufactured
Goods

36,482

37,406

490

1,875

76,268

8. Pulpwood, Lumber Ties,
Poles, etc.

27,990

81,344

98,162

207,496

9. Automobiles & Trucks

362,315

185,030

11,155

118,281

894

693,694

TOTAL

1,840

144

1,840



TRAFFIC OUT

ONES

MARITIMES

EASTERN

CENTRAL

	RAIL	H'WAY	RAIL	H'WAY	RAIL	H'WAY	TOTAL
6. Food Products	56,002	2,650	126,080	4,200	73,490	80½	262,502½
7. All other Manufactured Goods	1,618	110	27,440½	1,100	875		31,143½
8. Pulpwood, Lumber, Ties, Poles, Etc.	99,886	160	134,306	1,230	88,343		323,925
	157,506	2,920	287,826½	6,530	162,708	80½	617,571



1
2 These figures are reliable, having been obtained
3 by polling the leading shippers in the area and compiling
4 the casual freight for each locality. Our recapitulation
5 figures were then compared with the total tonnage figures
6 for each point in the area, as supplied by the different
7 carriers.

8 Although it is difficult to estimate how much
9 of this potential tonnage will be diverted through the
10 sea port at Gros Cacouna, it is reasonable to expect
11 that, with such favourable land facilities at this end,
12 the Great Lakes market for Maine potatoes will surely
13 develop through the seaway. Land installations also favour
14 the distribution of gasoline, fuel oil, diesel oil, lubri-
15 cation oil, asphalt, and other allied products, for all
16 points in this area and beyond, through the port of Gros
17 Cacouna. Also, it could be assumed that some of the large
18 tonnage of catalogue paper from Madawaska, Maine, to
19 Chicago may eventually go by the seaway, and our committee,
20 after an exhaustive study, concludes that our demand for
21 a seaport installation here, is as strongly based econom-
22 ically, as was the St. Lawrence Seaway project itself, at
23 its inception.

24 Therefore, Mr. Chairman, the people of north-
25 western New Brunswick, comprising about one-eighth of the
26 total population of our province, request that you give
27 this project your favourable consideration, so that the
28 economy of our region may be relieved from its stifling
29 transportation problems and thus may be permitted to
30 rise to the same level as that of the central provinces
as was intended by the terms of Confederation.



1
2 BRIEF SUBMITTED
3 BY THE
4 KAMOURASKA, TEMISCOUATA, RIVIERE-DU-LOUP SECTION
5 OF THE
6 TRANSPORTATION COMMITTEE
7 OF
8 KAMOURASKA, TEMISCOUATA, RIVIERE-DU-LOUP
9 COUNTIES, NORTHWESTERN NEW BRUNSWICK
10 AND NORTHERN MAINE (U.S.A.)
11 PREPARED AND PRESENTED
12 BY
13 MR. ANTONIO DUBE, BARRISTER
14 PRESIDENT OF THE CHAMBER OF COMMERCE
15 OF
16 RIVIERE-DU-LOUP
17 AND SUBMITTED BY
18 H.W. THE MAYOR MR. EMILIE L. MORIN
19 PRESIDENT OF THE TRANSPORTATION COMMITTEE
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Mr. Chairman, Members of the Commission, Royal
Commission on Transport: The civic authorities, the
merchants and the industrials from Temiscouata, Riviere-
du-Loup and Kamouraska counties, northern New Brunswick
and the State of Maine know that their economic interests
are closely linked. It is agreed that this part of
territory might be classed as underdeveloped, precisely
because it has not shared the natural economic expansion
the rest of the country has. We believed that, knowing
which were the main factors that had delayed our economic
growth, that is to say, being so far away from the large
centres



1
2 and the absence of adequate means of transportation, we
3 had to do something to remedy this situation.

4 The municipal councils and the Chambers of
5 Commerce of the above-mentioned regions, at a meeting held
6 in Edmundston, during the month of April, 1959, formed the
7 transport and communications committee for the provinces
8 of Quebec and New Brunswick, also the State of Maine.

9 Mr. Chairman, this committee has the honour of
10 presenting you, in the name of the entire population,
11 the present memoir.

12 The Royal Commission on Canada's Economic Pros-
13 pects, in its final report presented to His Excellency
14 the Governor General in Council, has firmly strengthened
15 our feelings about the factors which contributed to the
16 slowing down of our economic development. As a matter
17 of fact, the commissioners stated:

18 "An objective of economic policy should be to inte-
19 grate and improve the basic economic framework of the
20 Atlantic region, including in particular the trans-
21 portation facilities of the area with a view to
22 facilitating and encouraging economic growth within
23 the region. What is needed we believe is a bold com-
24 prehensive and co-ordinated approach to the underlying
25 problems of the region in order to make the best
26 possible use of the resources of the area and to im-
27 prove transportation and other basic services (page
28 404)."

29 We firmly believe that one of the aspects of
30 this energetic program should be the investment of neces-
31 sary funds at Riviere-du-Loup or in its immediate vicinity



1
2 to build a sea port with modern and adequate facilities, to
3 enable our industrials and merchants to benefit of the
4 advantages offered by the St. Lawrence seaway.

5 As stated by the Quebec provincial Chamber of
6 Commerce, in its memoir to the Gordon Commission:

7 "Now seems to be the time to consolidate everything
8 by paying the necessary price to hasten the economic
9 development of the weak parts of our system, i.e.,
10 the underdeveloped regions. The future of the
11 Canadian unity cannot stand solely on the general
12 proclamation of the immensity of our wealth and
13 possibilities. All of this in itself will be more
14 or less a geographical economical and political
15 fiction, if there is so little at the periphery and
16 everything is congested in the centre."

17 More and more, our present-day economists
18 accept the principle that an enlightened state inter-
19 vention is susceptible to assure a better economic growth
20 and a superior output, at least as times goes on. We
21 demand more measures susceptible to bring forth progress-
22 ively an economic decentralization in favour of a more
23 intense regionalism. In fact, the organization of the
24 means of transport and freight rate tariffs policies
25 constitute the most powerful medium in the hands of the
26 state to stimulate the regional economy.

27 We believe, Mr. Chairman, that the economic
28 growth of our region could certainly be stimulated if
29 the government supplies it with the means of utilizing the
30 St. Lawrence seaway.

1. The Economic Region of Riviere-du-Loup,



1
2 Temiscouata and Kamouraska Counties:

3 The city of Riviere-du-Loup has an exceptional
4 geographic situation, as it is from this point that the
5 Temiscouata valley and the surrounding farms were cleared
6 and exploited in a radius of at least 75 miles. The city
7 of Riviere-du-Loup has largely contributed to the develop-
8 ment of this territory, where approximately 100,000 in-
9 habitants live. In fact, the entire population above
10 mentioned makes its way steadily towards that centre to
11 enjoy the services afforded them by the city and to do
12 business. From Quebec and Montreal, route No. 2 leads to
13 this locality and then on to the maritime provinces.
14 Route No. 10 brings back here a great part of the traffic
15 from the Gaspé peninsula and the maritimes, while route
16 No. 51 facilitates easy and rapid access to Maine, New
17 Brunswick, the transcontinental and other communities
18 bordering the St. Lawrence river, near Riviere-du-Loup.

19 In spite of the Canadian National Railways'
20 centralization policies, Riviere-du-Loup remains a rather
21 important railway centre, where the Montreal-Halifax and
22 Edmundston lines converge.

23 The city of Riviere-du-Loup has further developed
24 its transport facilities and has secured rapid means of
25 communication with the largest centres of the country,
26 when it built, with the contribution of the government,
27 a modern airport which has been inaugurated in July, 1959.

28 The Riviere-du-Loup wharf has been utilized
29 for a certain period by the merchants and industrials of
30 the city and the outlying communities with great advantage



at a time when the means of communication were little developed and the raw materials, limited to constructional lumber. It remains a necessity for the Riviere-du-Loup St. Simeon ferry, but is most inadequate for water transport and the utilization of the seaway.

Situated at less than 100 miles from the international bridges of Edmundston-Madawaska, Clair-Fort-Kent, St. Leonard-Van Buren, from where it is linked by means of route and railway transport, Riviere-du-Loup appears as such as being the natural and logical access for the north of the state of Maine and the province of New Brunswick to the St. Lawrence seaway.

2. Regional Production: -

This territory is chiefly agricultural and forestal. The quantity and value of the agricultural products give a rather true picture of its character.

a) Field Crops: The majority of farmers of the three counties devote themselves to the cultivation of fodder plants, cereals and potatoes. Here is an allotment table of the plants of the field crops within the region, in 1951:

COUNTIES	N. acres	Fodder Plants	Cereals	Potatoes	Others
Kamouraska	81,990	63.3%	33.5%	2.7%	0.5%
Riviere-du-Loup	120,215	61.4%	35.0%	3.5%	0.1%
Temiscouata	62,611	66.4%	30.9%	2.5%	0.2%

(Reference: - F.M.Gauthier - "Les Cereales dans l'Est du Quebec, Revue de l'agriculture, Volume 10, No. 1, 1953, page 84).



Kamouraska and Riviere-du-Loup counties generally offer a plane surface and favourable soil for the cultivation of the potato. Thus, more than two-thirds of the total lower St. Lawrence and Gaspé region potato crop comes from Temiscouata, Riviere-du-Loup and Kamouraska counties.

<u>COUNTIES</u>	<u>SURFACE</u> <u>(acres)</u>	<u>PRODUCTION</u> <u>(bags)</u>	
Kamouraska	2,251	94,000	
Riviere-du-Loup	4,297	479,000	
Temiscouata	1,552	<u>35,700</u>	608,700
Bonaventure	3,197	18,000	
Gaspé East & West	2,882	5,150	
L'Islet	1,670	24,050	
Matane	1,713	27,700	
Matapédia	1,715	27,000	
Rimouski	3,137	120,400	
Montmagny	<u>1,079</u>	<u>40,700</u>	<u>263,000</u>
	<u>23,493</u>		<u>874,700</u>

Reading this table, one realizes that we have produced within our region, in 1951, a total of 608,700 bags of potatoes out of a total of 874,700 for the ten counties of lower St. Lawrence and Gaspé regions. Eighty-eight per cent of this production is forwarded outside this sector towards the larger consumption centres of the province, Saguenay and Abitibi where specialized dealers distribute most of the production.

In 1952 this production was worth \$1,134,740.00, since a peck which was selling for \$1.28 in 1942 had



risen then to \$1.70. Thanks to better cultural methods, our farmers have considerably increased the production of this tuber since 1952, and we may state today that this production is approximately 1,000,000 bags.

B - Live Stock - For several years, the farmers from Riviere-du-Loup county supplied a large share of the animals forwarded to the abattoirs of the province. Their counterparts in Temiscouata and Kamouraska counties followed suit. Lower St. Lawrence, formed with Montmagny, L'Islet, Kamouraska, Riviere-du-Loup and Temiscouata counties, disposes for the different markets 400,000 head, of which 240,000 come solely from the three counties under study.

JUNE 1, 1958

ECONOMIC REGIONS &
STATISTICAL DIVISIONS.

<u>COUNTIES</u>	<u>All cattle</u>	<u>Milk Cows</u>	<u>All Hogs</u>	<u>All Sheep</u>
(x) Kamouraska	32,200	17,300	20,100	7,800
L'Islet	20,700	10,900	10,800	6,700
Montmagny	22,300	11,900	14,400	1,700
Rimouski	42,800	21,200	21,300	24,000
(x) Riv. du. Loup	43,000	23,000	24,700	13,800
(x) Temiscouata	22,200	11,200	9,700	15,000

Reference: - Statistical Year Book - Quebec, 1958, P.318.

C - Dairy Products - It we consider that more than 51,000 milk cows are kept by our farmers, one might imagine the quantity and the value of the dairy products in our sector. This region produces more than 4,440,000 pounds of milk for consumption, 139,635,000 pounds of milk for byproduction and 4,848,500 pounds of butter.



<u>COUNTIES</u>	<u>Milk for Consumption (lbs)</u>	<u>Milk for byproduct. (lbs)</u>	<u>Butter</u>	<u>Cheese</u>
Kamouraska	575,000	51,225,000	1,936,000	50,000
Riv.-du-Loup	3,515,000	64,315,000	2,260,000	
Temiscouata	350,000	24,085,000	652,500	90,000

Reference: - Disponibilites, Mode de vente et lieux
d'ecoulement des produits agricoles, 1951-52-
53, region du Bas St. Laurent, No. 2,
Ministere de l'Agriculture, Quebec Page 186.)

It is obvious that our farmers dispose of a large quantity of milk for consumption, and if the markets were more easily accessible, they could draw a better revenue for their production by forwarding less milk to the factory and directing it to the consumption centres.

It is understandable that the amount of poultry raised in this region and the production of eggs are rather restrained, if one remembers that the lack of adequate and continuous means of transport towards the consumption centres of the north shore, does not allow the producers to reach these markets in a satisfactory manner.

D - Lumber - The provincial forestry engineers state that our soil is excellent for silviculture. Our climate and the condition of our soils are favourable to an exceptional growth of the different species, and particularly that of the spruce, fir, pine, maple, wild cherry tree, poplar and aspen. The above-mentioned resinous species cover the largest part of our territory and procure the best revenues of our forest industry. We may state that the lumber industry, so far as felling and transformation, is at the base of our regional economy. The Temiscouata county's forest feed in large proportion the mills of Fraser Company's Limited at Edmundston, N.B.,



1
2 with a yearly productive capacity of some 25,000 tons of
3 paper board and 120,000 tons of unbleached sulphite pulp.

4 There are two pulp mills in Riviere-du-Loup,
5 one controlled by F. F. Soucy Inc., at St. Antonin, with
6 an 18,000 ton productive capacity, the other one controlled
7 by Mohawk Corporation, with a 12,000 ton production. This
8 first firm, F. F. Soucy, Inc., is taking the necessary
9 disposition to install a paper producing machine and
10 will incessantly produce 30,000 tons of newsprint which
11 will be shipped to the United Kingdom.

12 Our region keeps on playing a first-class role
13 in the construction lumber industry. We find 105 saw
14 mills employing approximately 1,000 workers, with a
15 production output of 82,600,000 feet of wood, plank
16 measurements. The total value of this production,
17 according to statistics published by the Forest and Lands
18 Ministry, for the year 1956, is of \$5,429,858. The lumber
19 destined to the saw mills, hard or soft, meant for con-
20 struction, furniture manufacturing, etc., absorbs 95
21 per cent of the volume of this raw material. The remainder
22 goes for spools, shingle, lattice, and railway ties.

23 Since a few years, an extensive cutting of young
24 fir trees is carried out, for shipment, during the course
25 of September, October and November, to Chicago, Detroit
26 and other American cities, for the Christmas tree market.
27 The total production at present, amounts to 200 carloads,
28 worth \$200,000.
29
30



1
2 E: Mining Industry.

3 Even if a certain number of useful mineral
4 deposits have been located in our region, it can be said
5 that the mining industry is practically non-existent,
6 due to the fact that serious geological survey has been
7 undertaken or that the said deposits prove to be of
8 a rather expensive exploitation. However, Premier
9 Peat Moss Limited exploits at Riviere du Loup, Cacouna
10 and Isle Verte, the largest peat bogs in the province.
11 More than 35,000 tons of peat moss, worth \$2,100,000, ex-
12 tracted locally, are destined to the United States
13 markets.

14 At about fifty miles from the St. Lawrence
15 River, at Riviere Bleue, considerable limestone
16 deposits are exploited by Les Amendements Calcaires de
17 Riviere Bleue. More than 20,000 tons of limestone
18 is being extracted yearly.

19 3. Exports.

20 The local consumption takes care of a certain
21 part of the agricultural production, but the major part
22 of it must be directed to the markets of the province
23 and of the country. Thus, 26,000 tons of potatoes are
24 shipped yearly towards Montreal, Quebec, the Eastern
25 Townships, and the North Shore. Our butter and cheese
26 dairies ship their production output, 2500 tons, to
27 the Quebec and Montreal warehouses, while our cattlemen
28 carry their livestock by truck and railway to the Quebec
29 and Montreal abattoirs.

30 Mr. H. R. Massue, in his study on improved



1 winter navigation in the Lower St. Lawrence River
2 states: "as the population of the North Shore increases,
3 the requirements in products of all kinds will grow
4 proportionately. The contribution of the people of the
5 South Shore to these requirements will depend largely
6 on their own initiative and on the kind of winter navi-
7 gation service that will be afforded them." The North
8 Shore population, estimated at present to be 80,000
9 inhabitants, has an average growth of 10 per cent per
10 year, this meaning that, by the year 1970 the population
11 should be 160,000. The population of this industrial
12 and mining region will certainly be in a position to
13 consume a good part of the agricultural production of
14 the South Shore, complementary region situated a few
15 miles from the latter. The Riviere du Loup, Temiscouata
16 and Kamouraska counties potato producers at present sell
17 their production on the North Shore, but their benefits
18 are very sharply cut down because they have to cover an
19 extra 200 to 225 miles, by going around Quebec City,
20 to reach these markets.

21
22 The Riviere du Loup and Saguenay chambers
23 of commerce have been requesting for a long time the
24 establishment of a year-round ferry service at the
25 closest and most logical point between the two shores,
26 be it between Gros-Cacouna and Tadoussac, with the
27 purpose of avoiding the Saguenay River barrier. A brief
28 will be submitted separately concerning this ferry ser-
29 vice.

30 This service between the desired seaport and



1 Tadoussac would considerably shorten the distance and
2 reduce the transportation charges, would allow continuous
3 commercial relations, and secure inestimable advantages
4 to the producers and consumers. The same thing can be
5 said for the dairy products. It has already been pointed
6 out that the dairy producers are continually faced with
7 a surplus of production which they must direct towards
8 the butter and cheese dairies due to the lack of better
9 outlets. The North Shore families which have to pay
10 at present up to 35 cents for a quart of milk, this
11 price being 15 cents more than on the South Shore,
12 would realize appreciable savings if our milk dairies
13 could transship daily their production on the other side
14 of the river.

15 It might be wise to contemplate the estab-
16 lishment of a modern abattoir in the region to dispose
17 of its products within the region and on the North Shore
18 markets with great advantages to the consumers. But
19 the establishment of this abattoir is unthinkable, if
20 adequate port facilities are not built at Riviere du
21 Loup or its immediate vicinity, and if a year-round ferry
22 service is not established between the two shores.

23 The 450,000 tons of construction lumber
24 and pulpwood cut in the three counties are loaded at
25 the Riviere du Loup, Notre Dame du Portage and other
26 wharves, and then directed towards Port-Alfred, Quebec,
27 Trois-Rivieres, Ontario and United States mills, also
28 to the cities bordering the St. Lawrence River and the
29 Great Lakes, as well as Europe. A recent inquiry
30



1 conducted by the Regional Chamber of Commerce has revealed
2 that most of the lumber dealers had to abandon their
3 overseas market, because the Riviere du Loup wharf does
4 not allow the safe docking of medium tonnage ships.

5 Here is what was stated, among others, J. O.
6 Soucy Inc.:

7 "In the past we made shipments to Europe,
8 but it is impossible to sell to this continent
9 because the ships cannot dock at Riviere du
10 Loup, on account of the deplorable condition
11 of the port. We must turn down any orders
12 coming from Europe. If we had a deep-sea
13 port, we could ship from 10,000 to 15,000
14 cords of pulpwood to Europe, and increase
15 considerably our shipments to the United
16 States, since larger ships could dock at
17 Riviere du Loup."
18

19 All the questionnaires filled by the lumber
20 shippers carry remarks to that effect.

21 A large quantity of the forestry products des-
22 tined to Europe are loaded at the ports of Quebec, St.
23 John and Rimouski, with excessive charges, because there
24 is no port facilities available at Riviere du Loup or
25 in its immediate vicinity.

26 Furthermore, there are at least five foundries
27 the output of which is restrained, the accessibility
28 to the markets of the North Shore, Central Canada,
29 Europe and Bermuda has become prohibitive to their
30 proprietors because of the high cost of transportation.



1 Here is what the firm Normand Ltee., from St.
2 Pascal, Manufacturer of farm carriages, declared to our
3 investigator:

4 "With a seaport at Riviere du Loup, we could
5 increase our business volume by shipping to the
6 Canadian west and midwest, likewise we could
7 export our carriages to the orient. Further-
8 more, the transport charges would be lesser
9 to obtain the steel from Sault Ste. Marie,
10 as well as from Hamilton. We also anticipate
11 that with the seaport facilities at Riviere du
12 Loup, we will be able to increase considerably
13 our business, the importation and exportation
14 tonnage of our sector."

15 Les Amendements Calcaires de Riviere-Bleue,
16 whose limestone production at present amounts to
17 20,000 tons yearly, made it known to us that with the
18 setting up of a seaport, this company could sell its
19 entire production to Ontario and central Canada and
20 quintuple its extraction.

21 Monsieur Richard Pelletier, from St. Michel de
22 Squateck, manufacturer of basket bottoms, to be shipped
23 to the factories of Grimsby, Oakville and Burlington,
24 Ontario, maintains that a seaport at Riviere du Loup is
25 almost indispensable to allow him to carry on his
26 operations. He adds: "If the railway freight rates
27 are in the least increased, I will only have to shut down
28 my establishment."

29 Premiere Peat Moss Producers Ltd, whose peat
30 bog production at Riviere du Loup, Cacouna and Isle-Verte



1 is of 35,000 tons, would ship a great proportion of its
2 production by water to the United States, and would
3 increase its production if a deep water port was built
4 at Riviere du Loup.

5 Importation: You will easily understand, Mr.
6 Chairman, that a sector like ours where about 100,000
7 inhabitants live, consumes annually a rather large
8 quantity of products of all kinds, part of which must be
9 imported. It can be stated that the 30,000,000 gallons
10 of fuel oil and gasoline distributed in the different
11 localities starting from Riviere du Loup, represent
12 rather impressive tonnage of carburant which could
13 be directed towards the distribution center, Riviere
14 du Loup, by means of oil tankers. The cost of these
15 fuels and gasoline would decrease considerably if they
16 could be transported from Montreal or the Atlantic
17 ports, towards the center of the region.

18 The number of farmers and the vastness of the
19 farms of the region, as well as the character of our
20 agricultural production, and the great number of cattle,
21 bear us to understand why more than 50,000 tons of
22 grains, feeds, flour and fertilizers of all kinds, are
23 distributed yearly in our counties. However, the high
24 cost of transportation for these grains, feeds and
25 fertilizers, because of transshipment at Montreal and
26 Quebec, to be forwarded via railway, prevents our
27 farmers from increasing their production.

28 By the way, it is easy to understand why a
29 farmer who must pay more than his counterpart from
30



1 Montreal, Quebec, etc., for these essential elements
2 to farming and cattle raising, and pay again a higher
3 transport rate to reach these markets cannot compete.
4 The transportation tariff by regular boat for wheat
5 and grain, from Fort William and Port Arthur to Montreal,
6 which averaged 16 cents per bushel in 1957 (See
7 diagrams 3-4-5-6 of the Inland Water Transport Royal
8 Commission's report, p. 146 and following), would show a
9 very light increase if grain elevators allowed storage
10 at the port of Riviere du Loup.

11
12 Furthermore one of Canada's most important
13 grain exporters, The Continental Grain, is taking into
14 consideration the possibility of erecting grain elevators
15 at the projected port, because since a few years, it
16 retains certain rights on grounds bordering the river,
17 at Gros-Cacouna, and show great interest for the project.

18 One could contemplate the shipment of 6,000 tons
19 of automobiles, farm and forest machinery, from Detroit
20 to Riviere du Loup via the seaway, if adequate port fa-
21 cilities were established at this latter point.

22 The inquiry conducted recently by the Chambers
23 of Commerce among other most important producers,
24 shippers and wholesale merchants, has revealed that
25 about 814,000 tons of products and merchandise could
26 be loaded and unloaded at the seaport of Riviere du
27 Loup annually.



Here is a table showing the quantity and the value of these merchandises and materials of all kind:

ENQUIRY OF THE MOVEMENT OF MERCHANDISE
IN THE KAMOURASKA-TEMISCOUATA AND
RIVIERE DU LOUP REGION

<u>Merchandise</u>	<u>Quantity</u> (Tons)	<u>Value</u>
<u>Coming In</u>		
Oil & Gasoline	120,000	\$6,900,000.00
Building Materials	16,000	4,000,000.00
Cement	5,000	95,000.00
Coal	4,000	100,000.00
Flour, Grains, feeds		
fertilizers	50,000	3,500,000.00
Automobiles and		
Machinery	6,000	12,000,000.00
Miscellaneous (in- cluding alimentary products)	18,000	---
Total coming in	219,000	\$26,595,000
<u>Outgoing</u>		
Limestone	20,000	\$ 60,000.00
Peat	35,000	2,100,000.00
Lumber (Construc- tion pulp)	450,000	27,000,000.00
Mechanical Pulp	30,000	2,700,000.00
Paper (project)	30,000	4,050,000.00
Potatoes	26,000	780,000.00
Livestock	4,000	1,120,000.00
Total Outgoing	595,000	\$37,810,000
Sum Total		\$64,405,000



1 5. Other Justifications: The Province of New
2 Brunswick and the State of Maine.
3

4 Our neighbours, from the province of New
5 Brunswick and the state of Maine, in their quality of
6 citizens of the two countries which have built the St.
7 Lawrence Seaway, strongly desire to benefit by the
8 advantages which it offers them. It is a known fact
9 that merchants and industrials always utilize the less
10 expensive means of transportation. Northern New
11 Brunswick disposes of an easy and rapid access to
12 Riviere du Loup. These businessmen could certainly
13 have used the port of Riviere du Loup to load and unload
14 a good portion of the 1,311,265 tons of merchandise
15 and diversified products which have come in and gone
16 out of this sector in the course of the year 1958.
17 Certain companies would increase their production if
18 they could realize certain economies in the transpor-
19 tation of their products.

20 The legislative research committee for the
21 state of Maine, in its study of the effect of the St.
22 Lawrence Seaway on the economy of the state of Maine,
23 states that we should seek to keep abreast of
24 developments along the seaway especially in the area
25 from Quebec City to Riviere-du-Loup. This commission,
26 in a report published on December 21st, 1956, recom-
27 mends that an attentive evaluation be made of the new
28 port facilities or those projected to be built in the
29 region between Quebec and Riviere du Loup.

30 You realize, Mr. Chairman, that our



1 neighbours, the Americans of the state of Maine, have
2 already thought of utilizing the St. Lawrence Seaway
3 through Riviere du Loup, as soon as an adequate seaport
4 will have been built there.

5 The 5,000 carloads of potatoes that the
6 state of Maine producers wish to direct towards the
7 new port, constitute a valuable contribution to the
8 justification of our demand. It has already been
9 pointed out to you that the grains could be unloaded at
10 Riviere du Loup to be forwarded to Maine. The indus-
11 trials and merchants of this part of the neighbouring
12 state equally intend to take advantage of the St.
13 Lawrence Seaway. One can definitely state without
14 fear of being wrong, that approximately 500,000 tons of
15 merchandise coming from, or going to the state of
16 Maine, would be loaded and unloaded annually at the
17 seaport of Riviere du Loup in the next few years.

18 It is hard to forecast exactly traffic of
19 shiploads in the requested port, for the coming years;
20 however, if we offer our merchants and industrials
21 the means of reducing the cost of their products and
22 merchandise, we can definitely state that it will
23 steadily increase. We are convinced that our business-
24 men are as industrious and dynamic as their counter-
25 parts in the rest of the country. They strongly request
26 the adequate support to allow them to give their region
27 a better economic climate.

28 Since the opening of the St. Lawrence Seaway
29 a great number of ocean-going vessels flying foreign
30



1 flags, go as far as the head of the Great Lakes. Pre-
2 viously, these vessels used to replenish their food and
3 fuel supplies at different European ports and make the
4 return trip without further replenishment. Their course
5 being now extended to the Great Lakes, these vessels
6 will have to refuel somewhere along the seaway, before
7 heading for overseas. Owing to the depth of water at
8 certain places along the seacoast close to Riviere du
9 Loup, which, at low tide is 40 feet deep, and the easy
10 access to that place at all times, it is not impossible
11 to foresee that the port which would be established
12 there could be used to that end.

14 The depth of water, plus the easy access
15 facilities the year round, offered by the river in the
16 immediate vicinity of Riviere du Loup, according to
17 us, would enable the establishment of a seaport
18 accessible to the ships coming from Europe, at all
19 times of the year. Thus, the overseas mail destined
20 for the maritimes could be off-loaded immediately at
21 Riviere du Loup and transmitted more rapidly to its
22 destination. During the navigation period on the St.
23 Lawrence river, the cargoes loaded at Portland and
24 destined to the center of the American states and
25 Canada, could be transported faster. We would
26 thereby save five days delay for the products coming from
27 or going to Northern New Brunswick and the state of
28 Maine, as these places are within three hours distance
29
30



1 from the projected port, while from Portland sailing
2 around the gulf and the peninsula takes five days of
3 navigation.
4

5 It is said that the natural growth of the
6 regions according to the competitive forces, is never
7 as perfectly natural as one might pretend. The
8 governments usually intervene one way or another by
9 supplying certain facilities through the medium of
10 subsidizing the building of railroads, ports, canals,
11 routes, etc. It is a known fact that the economic
12 initiatives go where these facilities are available,
13 even though it would have been eventually more ad-
14 vantageous to establish themselves elsewhere, had these
15 facilities been available.

16 The 300,000 citizens whom we represent here
17 today strongly urge your recommendation for the building
18 of an adequate seaport at Riviere du Loup, so that we
19 may all share the advantages afforded by the St.
20 Lawrence Seaway.

21 It is chiefly by adopting the immediate and
22 necessary measures, taking the appropriate steps so that
23 adequate and inexpensive means of transport be placed
24 at our disposal, that will allow us to regain the
25 lost ground in our economic development.

26 We hope, Mr. Chairman, that our remarks will
27 be favourably received.

28 (page 10013 follows)
29
30



SUBMISSION OF

THE TRANSPORTATION COMMITTEE OF THE KAMOURASKA,
TEMISCOUATA-RIVIERE DU LOUP COUNTIES (P.Q.)
NORTHERN NEW BRUNSWICK AND NORTHERN MAINE
(U.S.A.) REGIONS

and

THE CHAMBER OF COMMERCE OF RIVIERE DU LOUP

Ferry Service between Riviere du Loup and Tadoussac, P.Q.

Mr. Chairman and members of the Commission:

The problems of transportation make up the principal preoccupation of Civil Authorities, of Chambers of Commerce, Industrialists (Manufacturers) and of Tradesmen of the whole economical region number one (1), extending on the south shore, from Montmagny to Gaspé. This is particularly so of the entire economical region directly or indirectly influenced by the city of Riviere du Loup.

One may say that the city of Riviere du Loup, situated on the banks of the St. Lawrence river, is a natural point of issue, logical and the most accessible for the entire region, including the provincial counties of Kamouraska, Riviere du Loup and Temiscouata just as well as Northern New Brunswick and the state of Maine.

Available Means of Transportation: One may state that the city of Riviere du Loup is the cross-roads of many important routes, because, herein join:-

10- Route No. 2 - Montreal-Quebec-Riviere du Loup-Edmunston-Halifax.

20- Route No. 10- Gaspé-Ste. Anne des Monts-



1 Matane-Rimouski-Riviere du Loup.

2 30 - Route No. 51 - Maine-Transcontinental-St.
3 Alexandre (situated a few miles from Riviere du
4 Loup).

5 The shippers also have the following railway
6 lines at their disposal:

7 10 - Canadian National Railways-Montreal-Quebec
8 & Riviere du Loup-Mont Joli-Matapedia-Halifax.
9 20 - C.N.R.-Temiscouata Sub-division-Edmunston,N.B.
10 Riviere du Loup.

11 The city equally offers a very adequate air
12 line base where a two flight service is offered daily:
13 Sept-Iles-Forestville-Baie Comeau-Riviere-du-Loup-
14 Quebec-Montreal.

15 Boat Ferry Service: There is also a ferry
16 boat service run by "La Traverse de Riviere due Loup-
17 St. Simeon", operating between Riviere du Loup and
18 St. Simeon five months a year, effecting three complete
19 crossings daily except in July and August when four
20 crossings daily are in demand. The latter being more
21 of touristic character and barely satisfying for grow-
22 ing demands, and should the above service not exist, it
23 would have to be created because of the precious ser-
24 vices it renders.

25 Only this enumeration of means of transport
26 and ways of access of which disposes the city of
27 Riviere du Loup proves that it is a commercial center
28 of distribution for this vast agricultural and lumbering
29 region, where more than 225,000 Canadian and American
30



1 inhabitants live.

2 North Shore (Tadoussac) - Means of Transpor-
3 tation: In our opinion, the municipality of Tadoussac,
4 in the county of Saguenay, on the east side of the river
5 of the same name, will become very soon the crossroads
6 of routes equally important and highly in use by heavy
7 traffic. In fact, route No. 15, joining Tadoussac,
8 Forestville, Baie Comeau- Sept-Iles, will become
9 accessible to motorists and truck drivers, on its whole
10 length this very year. There is every reason to be-
11 lieve that the route joining Tadoussac to Chicoutimi,
12 the construction of which has been announced lately, will
13 be completed in the shortest delay possible, and opened
14 as soon as 1960 or 1961 at the latest.

15 Thus, the transportation undertakings: by
16 trucks, the commercial travellers, businessmen and
17 tourists will overrun the routes on the north shore
18 the moment these are opened to circulation.

19 Complementary Regions:

20 A) Riviere du Loup-Temiscouata-Kamouraska-
21 Northern New Brunswick and North of the state
22 of Maine region.

23 There is no point of reminding one at
24 length that the entire region influenced by the city of
25 Riviere du Loup has been and remains one of agricultural
26 and lumbering qualities.

27 The extent of cultivated lands and the selec-
28 tion of modern methods of tilling allow us to foresee the
29 surplus of agricultural production, much more considerable
30



1 in a very near future. This explains why we are
2 seriously thinking of establishing, on the south shore,
3 near Riviere du Loup, a modern slaughter house and mills
4 to turn agricultural products into ready ones for the
5 market.

6 The region disposes also of a superabundance
7 of man power that must immigrate each year towards
8 industrial centres, in the central part of the province,
9 and especially towards the north shore.

10 B) Saguenay Region: One may consider that the
11 population of the county of Saguenay, which has passed
12 from 29,419 inhabitants in 1941 to 56,655 inhabitants in
13 1956, will be over 160,000 inhabitants in 1970.

14 It goes without saying that this region will
15 meet with greater economical activities, where the
16 expenses of investments will continue to be of many
17 million dollars yearly.

18 It is an established fact that the industrial
19 and commercial regions of Chicoutimi and Lake St. John,
20 must and will have to import its food products and many
21 more agricultural by-products.

22 Support Already Assured: We have often
23 criticized the south shore population for their lack
24 of foresight and their inability in taking the necessary
25 measures to insure their own industrial and economical
26 development.

27 Therefore, representations were made by the
28 Federation of Chambers of Commerce of the Province of
29 Quebec to the Government of the Province of Quebec and
30



1 the Canadian Government.

2 The Chamber of Commerce of the Province of
3 Quebec, led by experts, was particularly interested in
4 the study of these problems, in the course of the year
5 1959-1960. In its yearly statement, submitted to
6 the Honourable Antonio Barrotte, Prime Minister of the
7 Province of Quebec, during the month of January, 1960,
8 our merchants and businessmen of the province, at once
9 laid the following principles regarding ferry boats.
10

11 "Whenever a choice must be made among bridges,
12 tunnels or ferry boats, the economical
13 advantages, cost and efficiency are what
14 should enlighten the final decision."

15 Then, talking of communications from one shore
16 to the other, on the lower St. Lawrence, the following
17 was recommended:

18 "In the lower St. Lawrence, the communications
19 from one shore to the other depend entirely
20 on ferry boats and air services. It is no
21 concern of this survey to analyse the advan-
22 tages and drawbacks of these transportation
23 facilities. But, the fact remains that owing
24 to powerful economical ties that bind both
25 shores, it behooves the authorities concerned
26 to give serious attention to the elimination
27 of these obstacles or difficulties. One cause
28 that deserves special attention is that of a
29 new ferry boat between Riviere du Loup and
30 Tadoussac. (The needs of a Highway System



1 in Quebec", Statement to the Honourable Antonio
2 Barrette by the Chamber of Commerce of the Province of
3 Quebec. January 1960, page 105.

4 Our merchants, industrialists and farmers
5 are keenly interested in the industrial and commercial
6 development of the north shore, Lake St. John and
7 Chicoutimi. The agricultural production of the
8 region could be easily directed to the east of the
9 Saguenay via Baie Comeau, Sept-Iles and Chicoutimi,
10 with advantage for the consumers of these regions.

11 Actually, the merchants selling animals and
12 agricultural products cannot offer their goods and mer-
13 chandises to the populations of the counties of Saguenay,
14 Chicoutimi and Lake St. John, because they must do the
15 shipping by trucks and gravel over both banks of the
16 river before reaching Tadoussac more than 240 miles.
17 Over a certain distance covered, transportation is
18 difficult because the routes, though somewhat improved,
19 are still hilly and improper to heavy transport,
20 especially in winter.

21 The Necessity of a Maritime Bridge: There
22 is no continued communication between the two shores
23 of the St. Lawrence river, east of Quebec. It goes
24 to say that this great navigable waterway which should
25 be an easy means of joining the two shores, con-
26 stitutes and remains a barrier that should now be
27 cleared. Tadoussac and Riviere du Loup, being as
28 above mentioned, two joining points of important routes,
29 should be connected during the whole year by a suitable
30



1 ferry service. In fact it is known that a ferry boat
2 is a floating route principally intended to be a junction
3 between two routes, or a public highway system. Experts
4 in the means of transport equally admit that a ferry
5 boat service should be established between the nearest
6 points accessible between two banks of a river. In
7 our opinion, Riviere du Loup or Gros Cacouna and
8 Tadoussac, where the wharves are clear of ice and
9 accessible the year round and are at but a fifteen mile
10 distance, are the places best suited to establish a
11 ferry service, now essential.
12

13 Thus, in less than one hour, trucks and
14 transportation vehicles coming from Toronto-Montreal
15 and Quebec, from St. John or Edmunston, N. B., could,
16 from Riviere du Loup reach two important highways,
17 either that of Tadoussac, Baie Comeau, Forestville and
18 that of Tadoussac, Chicoutimi, Lake St. John. Thus
19 avoiding a dangerous and expensive drive through the
20 north shore between Quebec and Baie Ste-Catherine, and
21 a trip on the ferry of Baie Ste-Catherine would be
22 spared.

23 In our modern economical system, the commercial
24 exchanges, to be profitable, should be rapid and inex-
25 pensive. Our farmers and merchants cannot understand
26 why we should demand the expedition of their products
27 to the markets in Montreal and Quebec, to be redistri-
28 buted to markets next door to them. If the longitudi-
29 nal means of transportation by waterway on the St.
30 Lawrence river have been useful in the past, latitudinal



1 services have now become necessary. The products would
2 thus be brought from the producer to the consumer with
3 more rapidity, and these commercial exchanges would be
4 profitable for both sides.

5 The Royal Commission on Canada's Economic
6 Prospects recognizes that the transportation of most
7 food products will be made by trucks or railways because
8 of speed and service factors. (Cf. French version
9 p. 295-English version p.283).

10 It goes to say that the shippers from the
11 centre of the province and the south shore, will use
12 carriers to ship their products towards industrial
13 cities on the north shore, Lake St. John and Chicoutimi.
14 The services of a year round ferry between the road that
15 branches off the trans-Canada and the crossroads of
16 Tadoussac-Sept-Iles-Tadoussac-Chicoutimi must be estab-
17 lished at once because it has become an obvious neces-
18 sity.

19 The ferry boat of touristic distinction,
20 operated between Riviere du Loup and St.Simeon, for many
21 years, had contributed to make of the city of Riviere du
22 Loup and its surroundings a well known summer resort.
23 Thus only in the limits of the city of Riviere du Loup
24 there are thirty licensed hotels. Our inkeepers and
25 the population wish that boat service to be upheld.
26 The one which our merchants, industrialists and farmers
27 demand between Riviere du Loup, Gros Cacouna and
28 Tadoussac is of an entirely different character. We
29 claim that after a few years, the same phenomenon will
30



1 reoccur, and that numerous industries of transformations
2 of agricultural products will be established in Riviere
3 du Loup or in its immediate surroundings.

4 The federal and provincial governments pay
5 subsidies to shipping companies to maintain the services
6 of transportation necessary in certain regions in the
7 country, and to increase commercial exchanges. When
8 the communications between two regions have become
9 essential to ensure a desired and warranted economical
10 development, the governments did not hesitate to sub-
11 sidize or help the promoters of the needed services.
12 We firmly believe that the government of the province
13 of Quebec and the federal government should, for the
14 general interest of our region contribute generously
15 to the establishment of a ferry boat service the year
16 round between both shores of the St. Lawrence river,
17 between Tadoussac and Riviere du Loup. These ser-
18 vices which will in time become self-sufficient, require
19 investments of capitals that no private enterprise
20 could manage.

21
22 This is why we respectfully request you to
23 recommend as soon as possible the establishment of
24 this indispensable and coveted ferry boat service, and
25 that this project should be properly subsidized by the
26 Government.

27 Respectfully submitted.



1 I wish to apologize for not having appeared
2 before the Commission at the Quebec sitting.

3 THE CHAIRMAN: Yes, we were looking for you
4 there.

5 MR. DUPE: And I want to apologize, too,
6 because we were supposed to submit our briefs in French,
7 and I imagine it would be much more convenient to give
8 it in English.

9 With your permission, Mr. Chairman, if any of
10 the counsel here or any member of the Commission would
11 like to cross-examine the witnesses, you may call them.

12 THE CHAIRMAN: Thank you very much. Mr.
13 Cumming?

14 MR. CUMMING: Thank you very much.

15
16
17 EMILIE L. MORIN, called

18
19 CROSS-EXAMINATION BY MR. CUMMING:

20 Q. There is just one matter. I have read
21 both submissions with considerable interest, and I
22 think that in the brief which deals with the matter of
23 the ferry service there is the statement that this
24 Commission should recommend the establishment of what
25 you describe for the reasons you set out in your brief
26 as an indispensable and coveted ferry service which you
27 suggest should be subsidized by the government. I
28 wonder if, in the process of your preparation of this
29 submission, you have had a chance to consider the ques-
30 tion of costs of the ferry boat service which you suggest
should be established and, if you have had a chance to



1 do that, if you could indicate to the Commission some
2 idea of just how much would be involved financially
3 in establishing such a service and in maintaining it?

4 A. We haven't established a definite cost
5 because we will have to be governed according to the
6 subsidy we will be getting. What we really need is
7 a boat or a ferry which will take care of about sixty
8 automobiles and some vans and trucks. We haven't got
9 definite figures, but it would cost probably about
10 eighty thousand dollars or a million dollars for the
11 boat. But if we can't get help from both governments,
12 provincial and federal, we will have to take a smaller
13 boat, which, of course, will not answer all the pur-
14 poses.
15

16 For your information, I would like to put
17 in this letter. We were in to see the Prime Minister
18 of the Province of Quebec, and he has given us a letter
19 where he seconds this project, he approves it and supports
20 it and recommends it, and goes as far as saying that
21 they will even subsidize the project.

22 Q. Is that an indication of the willingness
23 on the part of the Province of Quebec to participate,
24 providing the federal government will come in and par-
25 ticipate and share some of the cost as well?

26 A. Yes, definitely.

27 Q. As a sort of joint venture?

28 A. Yes, because we have a ferry now between
29 Riviere du Loup and St. Simeon. It is considered only
30 as a tourist ferry, but that is only four months of the



1 year, and on that they get, I think, \$20,000 subsidy
2 from the provincial government and about the same from
3 the federal government.
4

5 Q. I take it in addition to the cost of the
6 ferry itself there would be some docking installation
7 which would be required as well?

8 A. Definitely. We have asked for a deep sea
9 wharf. We consider that the wharf at Tadoussac would
10 be suitable as it is.

11 Q. May I ask whether there is any indication,
12 any intention to participate in the financing of this
13 at a local level in partnership with the provincial and
14 federal governments?

15 A. Are you speaking of the ferry?

16 Q. I am speaking of the ferry.

17 A. Yes, it is our intention. As a matter of
18 fact, we have had a meeting where it was suggested if
19 they wanted to come in and subscribe, but there is
20 nothing definite at the moment -- whether we will form a
21 company or join with another company somewhere else which
22 will answer our problem and give the service we want,
23 put in whatever money we have with them, or form our own
24 company and operate it ourselves.

25 Q. You can cut your coat according to your
26 cloth?

27 A. Yes. What we really want and need is
28 the approval of the principle of the ferry and the deep
29 sea wharf. It is a necessity for the region.

30 Q. The other questions I had ~~were~~ of the same



1 order, directed to the question of the deep sea wharf
2 itself. Have you any idea of the cost that would be
3 involved in that project?

4 A. No, not yet. We have, if I may mention
5 it here, had a meeting, a very interesting meeting this
6 morning with the Honourable Walker, Minister of Public
7 Works, and with Mr. Manning and Mr. Young, Mr. Miller
8 and Mr. Weekes, and we have come to this conclusion, and
9 we have also made a survey last fall; they have send
10 their economists into our section, and they have come
11 back and said that a deep sea wharf with about twenty
12 feet of water was justified. Now, we have a wharf
13 at Riviere du Loup, and it was told us this morning that
14 there is nothing that could be done with that one. In
15 other words, we would have to have a channel, and
16 with a channel you have to have an icebreaker to go in
17 there and keep dredging it every year, and that is too
18 costly. On top of that, they couldn't guarantee that
19 we could operate in that all the year round. So we
20 have agreed that the logical place was Gros Cacouna.
21 Our instructions, given this morning, were to make a
22 survey there and find out exactly where the wharf will
23 be located in that area, and the cost.

25 Q. That would be ice-free, would it, the year
26 round?

27 A. Yes.

28 THE CHAIRMAN: How near is that to Riviere du
29 Loup?

30 THE WITNESS: I would say four to six miles.



1 MR. CUMMING: Q. And those surveys, the
2 necessary surveys, which determine the feasibility from
3 an engineering or practical point of view and also
4 from the cost point of view, are presently being
5 undertaken?

6 A. Exactly.

7 MR. CUMMING: That is all that I have, Mr.
8 Chairman. Thank you very much.

9 THE CHAIRMAN: Mr. Sinclair?

10 MR. SINCLAIR: Mr. Chairman, representing
11 the Canadian Pacific, I wouldn't have any questions to
12 put to these gentlemen. I have looked at their sub-
13 mission, and it doesn't touch on the areas on which
14 my instructions rest.

15 THE CHAIRMAN: Mr. McDonald?

16 MR. McDONALD: I just want to clear up a
17 couple of points, Mr. Chairman.

18 CROSS-EXAMINATION BY MR. McDONALD:

19 Q. There is a ferry crossing operated by
20 the Lower St. Lawrence Company between Rimouski and
21 Forestville?

22 A. I believe so.

23 Q. That is about sixty-five miles away from
24 Riviere du Loup?

25 A. You are absolutely right.

26 Q. Does that ferry operate the year round?

27 A. No.

28 Q. And I believe that is being subsidized
29 by the government in some way?
30



1 A. I couldn't answer on that.

2 Q. Now, you refer to the port of Riviere
3 du Loup, you mention estimates of tonnages, and so on.
4 Do you have any figures of freight charges paid on
5 these?

6 A. You mean the traffic?

7 Q. Yes.

8 A. We haven't got much traffic yet, nothing
9 to base ourselves on for basic information, because
10 there is no accommodation at all, just a little wharf,
11 and just little schooners would come in once in a while.
12 They load about half of the boat and they have to get
13 out and go somewhere else to complete the load.

14 Q. The Clarke Steamship doesn't give any
15 service there?

16 A. The only service they give is a tourist
17 service from Riviere du Loup in the summer to just a
18 few miles from Murray Bay.

19 Q. But you haven't any figures on the freight
20 charges?

21 A. No.

22 BY COMMISSIONER GOBEIL:

23 Q. Gentlemen, I read your brief with interest.
24 You have mentioned the serious consideration which is
25 being given to your project by Parliament in connection
26 with the seaport. You said that you had no figures on
27 costs?

28 A. You mean on cost of the wharf?

29 Q. Yes.
30



1 A. No, we have nothing definite. We were
2 told that the wharf at Gros Cacouna, a deep sea wharf,
3 30 feet of water, would mean an expenditure of \$3 million.

4 Q. In connection with the ferry I read in
5 your brief that it would facilitate in connection with
6 the Lake St. John district?

7 A. Yes. The ferry is very important to us
8 for not only the Lake St. John district but especially
9 on the North Shore.

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17 (Page 10045 follows)
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1
2 You see, from Tadoussac to Forestville,
3 Baie Comeau and Seven Islands, the road is not open
4 yet between Baie Comeau and Seven Islands but it will
5 be in a year or so. There is also a road from
6 Chicoutimi on the north shore on the Saguenay River
7 to Tadoussac and it will be a link between these two
8 regions, between Temiscouata, Riviere-du-Loup,
9 northern New Brunswick and northern Maine to the north
10 shore and also to the seaway markets.

11 Q. I was mentioning that in connection with
12 the question by Mr. McDonald when he referred to the
13 fact that there is already a ferry between Rimouski
14 and Seven Islands, but if you consider the connection
15 between the Great Lakes and Lake St. John, you would
16 be more direct to Lake St. John than Seven Islands?

17 A. That is correct, and also the ferry
18 in Forestville would not answer our purpose -- I mean,
19 it would not take care of all our products, to take
20 them across on an economical basis, because over there
21 we would have to drive about 65 miles by road, and it
22 would be about four or five hours on the St. Lawrence
23 river, and we would have to pay accordingly. Now we
24 can take across an automobile at Riviere-du-Loup,
25 paying about \$4.00, while at Rimouski they are asking
26 about \$19.00, and it would be four or five hours on
27 the St. Lawrence River. From a commercial or industrial
28 point of view, it is not practical, and they would not
29 be in a position to drain all the traffic from the
30 Temiscouata valley and northern New Brunswick and
northern Maine. Northern Maine and northern New



1
2 Brunswick -- particularly northern Maine, are interested
3 in more of a transit shipment. They would haul
4 potatoes and other products from Riviere-du-Loup to
5 the deep sea wharves and they would ship from there
6 to the Great Lakes centres like Chicago, Detroit and
7 Cleveland.

8 BY THE CHAIRMAN:

9 Q. I think we were very sorry when we were
10 at Quebec that we were kept so busy there. I think it
11 was Mr. Archambaud who worked us until the last minute
12 of the last day we were there. We had gentlemen from
13 the other part of your area, from Gaspe, and then we
14 had gentlemen from the kingdom of the Saguenay, and I
15 am sure we were impressed as a commission with the
16 possibilities of the north shore and the Lake St. John
17 country. I take it that quite a few of you are con-
18 cerned particularly with the traffic that will come
19 from that north shore development, is that right?

20 A. And to go there. You see, they have to
21 buy most of their agricultural products, potatoes and
22 things like that. That would be a good market for
23 us over there, but naturally we have to be competitive.

24 Q. You were in here this afternoon for a
25 while and you saw that in large measure we have been
26 worrying about railways and trucks, so that this is
27 something new for us in a way to be dealing with
28 sea ports, but we promise you we will give it careful
29 consideration.

30 A. This could be of great help to the railways



1
2 because they could have the piggyback service right
3 into Riviere-du-Loup and across.

4 BY COMMISSIONER MANN:

5
6 Q. To keep the record correct, you have
7 mentioned the kingdom of the Saguenay and I feel that
8 because Mr. Levesque who was a member of this delegation
9 is unfortunately absent, I should make reference to the
10 republic of Madawaska. I have a number of questions
11 for Senator Cyr, if I may ask them.

12 MR. CYR: I would be very happy to reply.

13 Q. Unfortunately, your pages are not
14 numbered, but I think we can find our way through the
15 brief together. I am sure we will. On the second
16 page of your brief, in the fourth paragraph, you say:

17 "The industry that would benefit the most would
18 be the potato industry by utilizing seaway water
19 transportation to reach middle west markets which
20 are accessible to us only on a limited scale due
21 to transportation rates."

22 I presume that what you are now saying is
23 that most of these table stock produced in Aroostook
24 county would be shipped out by rail?

25 MR. CYR: That is right. In the following
26 paragraph it says:

27 "At present, Maine ships in those areas approxi-
28 mately 3,800 cars of potatoes annually."

29 Q. How far in the middle west do you reach?
30 Do you go past Chicago?

MR. CYR: Right now it is just about the



1
2 limit. Right now our shipments to Chicago represent
3 about one per cent of their consumption -- approxim-
4 ately .8 per cent.

5 Q. Could you give us an indication of when
6 your peak movement takes place -- what months of the
7 year?

8 MR. CYR: The tables or the shipment figures
9 show that the months of November, December, April,
10 May, June represent approximately 50 per cent of our
11 total shipments.

12 Q. Within this 50 per cent, Senator,
13 is it not true that you start off with a slow start
14 around the fifteenth of September and you build up
15 to a peak movement by about December or January
16 and after that your peak drops off to a valley again,
17 doesn't it?

18 MR. CYR: No, the real peak comes in March
19 and April, and then it begins to taper off in May and
20 June. Might I add that there is another development
21 which is happening along that line. I believe you
22 are referring to the ice problems during the winter-
23 time. There is at present a chemical which is being
24 developed for delaying the sprouting period of the
25 potato, which enables us to market potatoes in July
26 and in fact even up to August -- which would probably
27 answer the question that you probably had in mind but
28 did not express in the question -- of ice.

29 Q. The question I had in mind, Senator, was
30 simply this. Water movement into the Great Lakes is
barely possible after December 14, and the period from



1
2 about December 14 -- give or take a week -- to about
3 the end of April or the end of March at any rate ---
4 say, April. That is about the season of water move-
5 ment. What if you were to use water movement? You
6 would have to shove most of your production into heated
7 warehouses somewhere around the Great Lakes?

8 MR. CYR: There is already a company -- in
9 fact there are two companies, two of the largest buyers
10 of potatoes in the United States -- that have contacted
11 us in regard to this development, and they have told
12 us that if this development should materialize they
13 are ready to put in large warehouses to stockpile
14 potatoes during the free ice season, in the fall of
15 the year, and then resume in the spring.

16 Q. The storage cost in those warehouses
17 would likely be higher than the farm storage cost,
18 would it not?

19 MR. CYR: Possibly. However, you would have
20 only the marketable quality in those -- the table stock
21 -- you would not have the field run. You would have
22 just the marketable potatoes.

23 Q. What you refer to as culls?

24 MR. CYR: There are culls, of course, and
25 there are seconds and there are bruises and there are
26 sunburns and all kinds of off-grades.

27 Q. So when you make your transportation
28 rate comparisons you must bear in mind, I suppose, the
29 fact of increased storage at destination?

30 MR. CYR: Yes, that would have to be taken
into consideration. However, in the marketing of



1
2 potatoes, normally the price is lower in the fall of
3 the year, in November, for instance. I am not saying
4 that it is always so, but historically it is pretty
5 near 95 per cent, I would say, lower in the fall of
6 the year, and as such they could fill their warehouses
7 and then, of course, sell later on at the higher prices.

8 Q. Do you think that the presence of
9 extremely large stocks right at market would be a
10 depressing influence on the price in that market?

11 MR. CYR: No, not if it is controlled by some
12 of these big companies that have quite an influence
13 on the market. They will release only as the demand
14 is there.

15 Q. I have a few more questions, if you
16 will bear with me. We will have to number these pages.
17 On page 3 of your brief, in the very last sentence of
18 the first paragraph, you say:

19 "The freight differential on this market is 0.18
20 cents per 100 pounds."

21 But you do not say in whose favour?

22 MR. CYR: Yes, I noticed that too. In our
23 favour.

24 Q. In favour of Maine?

25 MR. CYR: Yes.

26 MR. CUMMING: Is that 18 or .18 cents?

27 MR. CYR: Eighteen cents per 100 pounds.

28 COMMISSION MANN: Q. The same holds true,
29 of course, for the other figures? They should all
30 be cents?

MR. CYR: Yes, that is right.



1
2 Q. Now, that is one where there is an 18
3 cent freight differential in your favour, and you do
4 not have any trouble selling there, but I notice
5 that Idaho comes in with 21.4 per cent into the Detroit
6 market, whereas you, in spite of the freight differential,
7 only have 14.2 per cent. Why is that? I am referring
8 to the last sentence:

9 "In Detroit our percentage of the market is 14.2
10 per cent, while Idaho comes in with 21.4 per cent.
11 The freight differential on this market 0.18 cents
12 per hundred pounds."

13 MR. CYR: I believe the 18 cents is in their
14 favour in that particular one.

15 Q. Then we had better change that in the
16 record. It is in favour of Idaho?

17 MR. CYR: Yes.

18 Q. Now, taking this the other way and going
19 to Chicago -- Idaho has a 20 cents per hundredweight
20 favour in the Chicago markets. It is your hope, is it
21 not, Senator, that by way of cheaper water shipments
22 you could reduce or eliminate that differential?

23 MR. CYR: That is right. There is a very
24 definite trend in the amount of market that we have,
25 as you can see from this, and these have been taken
26 from the U..S. D. A. reports. There is a definite
27 trend between the market that we have and the cost
28 of transportation, which leads us to believe that if
29 we did have access to Chicago, let us say, at the
30 Cleveland rate we can assume from that that we would
certainly increase our shipments to that area.



1
2 Q. I have read that report of the Department
3 of Agriculture and I am quite familiar with it, and I
4 think you have represented that very well. Now let us
5 take a shipping point in northern Maine. Is New
6 Sweden a representative shipping point?

7 MR. CYR: No, not necessarily. It is a little
8 off centre from our main traffic.

9 Q. Let us take Caribou, which is the centre
10 of the county, or if you wanted to, you could take
11 Van Buren.

12 MR. CYR: Caribou is a good one.

13 Q. Yes. What is the distance from Caribou to
14 Gros Cacouna?
15
16
17
18

19 (Page 10055 follows)
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1 A. Approximately 125 miles.

2 Q. And your proposal would be to truck the
3 potatoes from Cariboo to Gros-Cacouna?

4 A. Either trucking it by piggyback on the
5 railroad. Now, Cariboo and Presqu'Il have a rail
6 connection direct and also Vanburen has a rail connection
7 with New Brunswick and, of course, that all depends on
8 the rail, this piggyback system and on the trucking.
9 There is a firm now in the country, Cole's Express,
10 that has shown very serious intention of going in the
11 fishyback movement if these facilities are approved.

12 Q. Would you have any idea what the rate
13 would be by, say, Cole's for around 125 miles?

14 A. No, I don't.

15 Q. Would it be higher or lower than 20 cents
16 per hundred pounds?

17 A. I have no idea at all; to be sincere with
18 you, I have no idea what the rate would be. A lot of
19 this, of course, is speculative.

20 Q. Oh, we understand that. Now, my ques-
21 tions are merely directed to see what we can explore
22 together because that way we can ---

23 A. The previous meeting here they talked
24 about piggyback shipment, I don't know how familiar you
25 are with fishyback movement but they now have a
26 new trailer truck where they can take off the under-
27 carriage and stack on the back of a ship three crates
28 high. This is already in existence in some sections
29
30



1
2 and that will be the type of trailers we would be
3 interested in going into. Can I make a few remarks
4 here? If you look at the map on the wall here you
5 can see the geographical location of Maine in relation
6 to the province of Quebec and New Brunswick and
7 particularly with relation to the seaway. As you can
8 see, we are only eighty miles from the seaway and
9 that is the only access Maine has to the seaway. That
10 would be a back door to this new one just put in.
11 Now, on our grain shipments, for instance, if you take
12 Riviere-du-Loup and go around the Gulf of St. Lawrence
13 back to Portland it is five days by navigation and
14 this would cut it to about two hours.

15 Q. Coming to that grain, you are familiar
16 with the new elevator at Seven Hills that is put up
17 by the cargo grain people?

18 A. Yes.

19 Q. Would you not be able to draw grain stocks
20 for Maine from there instead of bringing it down from
21 Duluth?

22 A. Yes, it could be.

23 Q. Just a short haul across the river?

24 A. Just fifteen miles from Gros Cacouna
25 to Tadoussac.

26 Q. Your feed grain users in Maine, your
27 poultry business is mainly in the southern part of
28 Maine, is it not?

29 A. That is right.

30 Q. So they would be the people who would
use more feed grain than anyone else?



1
2 A. Not necessarily. Just referring back
3 again, as you can see, Aroostook county, which is the
4 largest county in Maine; we have been geographically
5 isolated since history began in that section and as such
6 we have had no access except through the other way.
7 I used to be an agriculture teacher before I went into
8 business for myself and as such we preached diversifica-
9 tion to our farmers but we were never competitive in
10 those areas because of high transportation costs which
11 were no fault of the transportation system, either the
12 railroad or the trucks. It is just a fact that we
13 are geographically isolated, it is just the nature of
14 the location where we are.

15 THE CHAIRMAN: You should have joined Canada.

16 MR. CYR: Yes, exactly, the same situation
17 as the area opposite to where we are. As such we
18 are naturally very much interested in a cheaper route
19 to markets, suggesting the Great Lakes which represent
20 35 per cent of the population of the United States or
21 approximately 55 million people. It would be very
22 feasible or there would be a large potential in the
23 markets available either for importation or exportation
24 as well as the people of New Brunswick and the province
25 of Quebec from that section.

26 COMMISSIONER MANN: Q. Thank you very much,
27 Senator. Now, I have another question for one of the
28 other gentlemen. This is on page 15 of the part of
29 the brief that was submitted over the signature of
30 Mr. Morin. On page 11, Mr. Morin, you say that
more than 35,000 tons of peat moss worth \$200,000 are



1
2 exported to the European and United States markets.
3 Turning to page 20 of the same brief you mention an
4 American company which is a subsidiary at Riviere-du-Loup.

5 MR. MORIN: Yes.

6 COMMISSIONER MANN: It is my understanding
7 that Premier Peat Moss is having difficulty competing
8 in the Great Lakes market with European producers,
9 chiefly German producers who bring the peat moss in
10 bales, so I can hardly believe when I read the brief that
11 the same company had imported European moss.

12 MR. DUPE: There is a mistake there, Mr. Mann,
13 and I have met the president of Premier Peat Moss and
14 he mentioned this mistake. May I have Mr. Morin file
15 a letter from the Premier of Quebec in order that it
16 may be part of the record?

17 THE CHAIRMAN: Yes.

18 MR. DUPE: And Senator Cyr has a letter from
19 the governor of the State of Maine that we will like
20 to put in.

21 MR. CYR: Mr. Dupe is insisting that I am
22 the governor, I guess. This is a letter by the governor,
23 Governor John Reed of the State of Maine endorsing
24 this project. Our previous governor, who died very
25 suddenly the last day of January, was heading the
26 Maine delegation at the Riviere-du-Loup demonstration
27 that we had last fall. He had at that time endorsed
28 the project with all the strength that he had. In
29 coming through Augusta last week I asked the governor
30 if he would not give us a letter of endorsement which
he ;did and I would like to submit a copy here.



1
2 THE CHAIRMAN: That can be taken into the
3 record.

4 STATE OF MAINE
5 OFFICE OF THE GOVERNOR
6 AUGUSTA

7 March 24, 1960

8
9 Honorable John Diefenbaker
10 Prime Minister of Canada
Ottawa, Ontario.

11 Dear Sir:

12 Senator Edward P. Cyr of Madawaska has asked
13 me to write you concerning the thinking of we in Maine
14 concerning the deep water port at Riviere du Loup.

15 I am most happy to oblige in this request, as
16 we in Maine have long felt the need for an access to
17 make full use of the great St. Lawrence Seaway. The
18 development of such a port will have impact to Maine, and
19 I am sure will likewise benefit the Riviere du Loup area.

20 I am most happy to endorse this project and
21 will appreciate any consideration your government can
22 give it.

23 Sincerely yours,

24 "John H. Reed"

25 John H. Reed
26 Governor.

27 COMMISSIONER MANN: I have one question that
28 I would like to ask. I think two or three years ago
29 the Maine legislature voted some money for a road from
30 Arcostook county into Quebec. Do you think such a
corridor road would do harm to the project you have in



1
2 mind?

3 MR. CYR: We have been hearing the last two
4 or three years quite a bit about east-west roads that
5 will develop the State of Maine and this and that and
6 the other thing. The corridor road has -

7 COMMISSIONER MANN: That is one of them, but
8 another one up north -

9 MR. CYR: It is a main Quebec highway, as you
10 can see coming from the northern part of the county,
11 Madawaska which is opposite Edmundston, you will see
12 the reason why we are opposed to that. Now, I do not
13 know just how much detail I can give you on that and
14 yet give you my reasons, but let us just take the dis-
15 tance. The proponents of this highway claim, for
16 instance, that it would cut transportation distance
17 from Presqu'Il to Quebec for the transportation of
18 potatoes. Now, I submit this, there is approximately
19 200 miles from Presqu'Il through that undeveloped road
20 to Quebec. Now, Presqu'Il, if we use Presqu'Il as the
21 starting point and Quebec as the destination, the same
22 as on the other way, there are approximately 40 miles
23 more the other way but it is through a developed
24 highway and also you have tourists all along the St.
25 Lawrence river towards the accommodations and it is
26 already an existing highway. Now, the cost of this
27 road has never been fully discussed and it would be
28 a tremendous cost to the county of Aroostook which would
29 bear the brunt of that cost. Now, they also told us
30 that we need an east-west highway because the economy
of Quebec, the province of Quebec and the economy of



1
2 the province of New Brunswick is closely tied up with
3 the economy of Maine which I highly endorse. That is
4 where we are stopped because I refer to this, it is
5 purely and essentially a wilderness. Now, what are
6 we going to develop in that area, the railway could
7 not go into that area? Is it because we need more
8 farmland? I don't know how well you are posted on the
9 soil bank in the United States but it is a program
10 under which the federal government will pay the farmer
11 so much an acre for retiring his land from production
12 and in my section of the St. John river which brings
13 out the seriousness of this potato industry economy
14 that I have talked about, 39 per cent of the farms are
15 now unloaded in the soil bank or retired in the soil
16 bank so if you have retired 39 per cent of your farm
17 land that you have spent millions of dollars, and it
18 will cost that to develop a road through the wilderness
19 to open your new found land.
20

21 (Page 10065 follows)
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1 Q. That certainly gives us the other side;
2 we have heard one side earlier. I have one more
3 question for Mr. Morin. On page 7 of the Ferry
4 Service brief, you mention that the wharves at Rivière
5 du Loup or Gros-Cacouna and Tadoussac are clear of ice
6 and accessible the year round. Is the river itself
7 ice free -- is the centre of the river ice free?
8

9 MR. MORIN: Oh, yes.

10 Q. You would have no trouble?

11 MR. MORIN: No. There have been studies
12 made by the government two years ago, and it is recom-
13 mended by the department.

14 BY COMMISSIONER PLATT:

15 Q. I am not sure whom to address the ques-
16 tions to, but I want to get some idea of the area. As
17 I understand it, on the north side of the river you have
18 a great forest and industrialization -- paper making
19 and mining, and that sort of thing; and on the south side
20 of the river it is primarily agricultural land?

21 MR. MORIN: That is right.

22 Q. And you are trying to move the agricultural
23 products from the south side across to the north side?

24 MR. MORIN: That is right.

25 Q. And you have said this can be a year-round
26 movement, if you have the ferry?

27 MR. MORIN: We have to have a year-round move-
28 ment because if you start business with some of the firms
29 and you can only supply them for three or four months,
30 they say, "That is no good," and they get their supplies



1 from Quebec or Montreal. They say, "You are just a
2 fly by night."

3 Q. Yes, that is why it is so important that
4 you can keep it open the year round?

5 MR. MORIN: Yes, we can.

6 Q. And those people now -- they get much in
7 the way of agricultural supplies from you, or do they get
8 them from down river -- Montreal?

9 MR. MORIN: They get some from us; not a big
10 percentage. The way it goes now, we ship most of our
11 products to Quebec and Montreal, and then it is shipped
12 back there. So, you have to add about a thousand
13 miles -- the cost of that -- before it gets to the
14 consumer.

15 Q. If that is the way it goes now, you could
16 afford to charge a fair toll on this ferry and still be
17 able to carry on trade?

18 MR. MORIN: Still be competitive.

19 Q. Yes, still be competitive?

20 MR. MORIN: Yes.

21 Q. Thank you very much; I was very interested.

22
23 BY COMMISSIONER GOBEIL:

24 Q. When you mention that you looked at the
25 map and you say that from the northern part of Maine to
26 Riviere du Loup is two hours, and the other way it is
27 fifteen days, I was thinking also of down to Quebec City:
28 is there a good percentage of your potatoes ---

29 A. No, there are only 3800 cars. We produce
30 between 45,000 and 50,000 cars a year: so, 3,800 would be



1 a very small percentage.

2 THE CHAIRMAN: It is less than ten per cent?

3 THE WITNESS: Yes, of the consumption.

4 COMMISSIONER GOBEIL: Q. But you have from
5 the state of Maine, which is not 475 miles from Quebec
6 City ---

7
8 A. If Quebec City wants potatoes from us
9 we would be very happy to ship them. They are buying
10 right now during the shortage in Canada. Somebody gave
11 the number of tons that came across from Madawaska, at
12 some meeting yesterday, and I have forgotten what it was,
13 but it is quite substantial so far.

14 Q. I was not referring so much to the market;
15 I was referring to the fact that your potatoes could be
16 put on the wharf in Quebec City -- on water transportation
17 in a Quebec port?

18 A. You mean to haul it to Quebec City?

19 Q. No, it would come from Quebec to the
20 Great Lakes region.

21 A. You mean, instead of having a dock at
22 Riviere du Loup, there would be one at Quebec?

23 Q. Yes.

24 A. Well, Quebec is 120 miles from Riviere
25 du Loup.

26 COMMISSIONER BALCH: By water?

27 THE WITNESS: No, by road; which would increase
28 the transportation that much, and when you transport it
29 that distance, then you are not competitive any more.
30 If you are only eighty miles, as we are, from the



1 Riviere du Loup section, you can be competitive.

2 THE CHAIRMAN: Well, gentlemen, we are glad
3 you came and glad to have heard your submission.

4 MR. CYR: Could I make one more remark, Mr.
5 Chairman?

6 THE CHAIRMAN: Yes.

7 MR. CYR: Our major industry in Madawaska is
8 Fraser Paper, which is a Canadian company. They make
9 the pulp; they have a big mill at Edmunstun and they
10 blow that in tubes across to Madawaska and finish the
11 paper on our side. We have one machine that works
12 pretty nearly the year round for Sears Roebuck catalogue,
13 and the Sears Roebuck catalogue is printed in Chicago.
14 I would like to submit that for your consideration.
15 Some day maybe that will be the difference between
16 being competitive with another mill or not.

17 THE CHAIRMAN: Well, we will adjourn now
18 until ten o'clock in the morning on April the 25th,
19 1960, in this room.

20 ---Adjournment.
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Hon. Mr. Tupper

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No.:

DATE:

55

25 APR. 1960

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held
in the Court Room, Board of
Transport Commissioners Offices,
Ottawa, Ontario, on the 25th
day of April, 1960

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Mr. H. W. Ellidott	Adviser

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary



Ottawa, Ontario,
Monday,
April 25, 1960.

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please. Now, Mr. Sinclair, you have some information to file.

MR. SINCLAIR: Yes. Mr. Chairman and members of the Commission, what I propose to deal with now are various requests for information that have been made by counsel and under direction of the Commission in one instance, I think, since the commencement of the hearings. A number of requests have been made and the replies are in the record and these are the balance outstanding up to date.

The first one is in volume 12, pages 1636, 1637 and 1638 where Mr. Mauro requested Mr. Edsforth to add to Exhibit 49 information concerning westbound commodity rates. These are commodity rates on specific articles from specific points in eastern Canada to specific points in western Canada at various periods. So that the matter could be dealt with expeditiously and without too much volume I have selected the date of September 1, 1899, that is when the rate reductions provided in the Crow's Nest Agreement of 1897 became fully effective and September 13, 1920, which was the highest point the rates reached before the changes that flowed from the legislation of the 1920's and the present rates. Where there was no movement I have indicated it and I have also included a column for remarks for each of the specific commodities. There were eleven commodities. I would like to have this filed, with your permission, as



Exhibit 49A.

---EXHIBIT NO. 49A: Additional Information
Concerning Westbound
Commodity Rates as requested
by Mr. Mauro in Volume 12.

MR. SINCLAIR: We will make certain that everyone
receives copies of this.

The next one is in volume 19, page 2623 where
the Commission ruled that a statement showing the revenue
of Canadian Pacific as derived from investment in the
Consolidated Mining and Smelting prepared and set up in
statement form and an exhibit prepared. This has been
done and I would like to file as Exhibit 122 a statement
showing the revenue from investment in the Consolidated
Mining and Smelting Company of Canada Limited as from the
years 1906 by years through 1959.

---EXHIBIT NO. 122: Statement Showing Revenue
from Investment in Consoli-
dated Mining and Smelting
from 1906 through 1959.

MR. SINCLAIR: The next one is in volume 21 at
page 2913 of the transcript, Mr. Cooper was examining
Mr. Smith who, you will recall, was a witness called
by the railways. Mr. Cooper referred Mr. Smith to page
2918 of the transcript and he asked him whether Mr. Smith
knew the yield from the collateral trades bonds of
Canadian Pacific which was rated Ba by Moody's for the year
1957 and also for the year 1958. I undertook to my
friend, Mr. Cooper, to supply that information. I would
like to file as Exhibit 123 this information which is
a statement entitled "Canadian Pacific Railways Yield on
Canadian Pacific Eighteen-Year and Twenty-Five-Year Bonds



1
2 for 1957 and 1958". The statement shows the manner in
3 which the yields were calculated.

4 Also in Volume 21 again Mr. Cooper question-
5 ing Mr. Smith, page 2918, Mr. Cooper asked, referring
6 to the schedules 13 and 15, he brought to the attention
7 of Mr. Smith that retained income on schedule 13 of
8 Mr. Smith's exhibit showed \$730,571,549.00, and the
9 ordinary stock in retained earnings as shown on
10 schedule 15 were \$847,107,330.00. He asked Mr. Smith
11 to explain the difference between the figures and at
12 page 2920 Mr. Smith said that we could prepare a reconcil-
13 iation of the figures and that he would be glad to have
14 that done. That has been done and we have prepared a
15 statement of reconciliation which shows how the
16 \$730 million-odd with the additional certain specified
17 items which are quoted become \$847 million. I should
18 say to the Commission that this statement I have just
19 referred to is in accordance with the way Canadian
20 Pacific reports pursuant to the Railway Act to the Board
21 and D. B. S. That is the \$847,107,330.00 figure.
22 That will be Exhibit 124 and it is entitled "Canadian
23 Pacific Reconciliation of Items, Ordinary Stock and
24 Retained Income Balanced Schedules 13 and 15 of Exhibit
25 75."

26
27 ---EXHIBIT NO. 124; Canadian Pacific Reconcilia-
28 tion of Items, Ordinary Stock
29 and Retained Income Balanced
30 Schedules 13 and 15 of Exhibit
75.

MR. SINCLAIR: The next one arises from volume
21 at page 2945, Mr. Dickson, on behalf of his client



1
2 examining Mr. Smith, asked if Mr. Smith would mind
3 checking the Baa rating of Moody's. This was a question
4 of the language that was carried in the way the rating
5 was set up. We have checked that and the language as
6 shown in schedule 3, sheet 3 of Exhibit 75 to which
7 Mr. Dickson referred and asked us to check the language
8 is correct and is correctly set out in the schedule.
9 No change is necessary..

10 Volume 21, page 2947, Mr. Dickson examining
11 Mr. Smith said, referring to page 7 of Exhibit 75, that
12 Mr. Smith therein had indicated certain United States
13 securities of fairly recent issue and he asked to be
14 supplied the maturity dates for the last four or five.
15 Mr. Smith undertook to do that and that information
16 has been developed from the United States and is as
17 follows - possibly I could read this into the record:

18 1. Virginian and Southwestern Railway Company
19 issue March 7, 1958, 4½, 5 million, rated A by Moody's,
20 maturity date March 15, 1983.

21 2. Chicago, Rock Island and Pacific issue
22 March 13, 1958, 5½, 16 million, rated Baa by Moody's,
23 maturity date February 1, 1983.

24 3. Virginian Railway Company issue May 2, 1958,
25 4, 12 million, rated Aa by Moddy's, maturity date May 1,
26 1983.

27 4. Southern Railway issue July 16, 1958,
28 4½, 22 million, rated A by Moddy's, maturity date August 1,
29 1988.

30 The next, Mr. Chairman and member of the
Commission, arises from a request by Mr. Mauro in Volume 25



1 of the transcript at page 3548. Mr. Mauro was referring
2 to page 20 of the precis of that evidence prepared by
3 Mr. Roberts and he said, referring to the city of Regina
4 to the lakehead, the revenue per ton mile at the proposed
5 rate on grain of 40 cents per hundred pounds would be
6 1.03 cents per ton mile. The proposed rate from the
7 Regina group would result in lower ton mile revenues from
8 branch line rate and Mr. Mauro said he wondered if
9 Mr. Roberts could calculate and give the Commission the
10 per ton mile figure from Winnipeg and other Manitoba
11 points at the proposed rates the same as was done for
12 Regina. He said he did not want it right away, we could
13 get it later and we have done that. I would ask to file
14 as Exhibit 125 a statement entitled "Request by Mr. Mauro,
15 Volume 25, page 3548, Revenue per Ton Mile on Grain from
16 Winnipeg and Other Manitoba points to Fort William at
Rates Proposed by Canadian Pacific."

17 ---EXHIBIT NO. 125: Statement Entitled "Request
18 of Mr. Mauro, Volume 25, Page
19 3548".

20 MR. SINCLAIR: I should say to the Commission
21 that these revenue per ton mile figures run from Ashbury
22 at 1.12 cents per mile, Kirkella right near the boundary,
23 1.16 cents up to a high of 1.34 cents per ton mile at
24 Marquette, Manitoba. It will be noted that the points
25 we have taken in Exhibit 1 to 5 are main line points,
26 and the reason we did that is for equidistant mileages.
27 In the Manitoba area the way the rates are blocked they
28 make the same rate to the lakehead and in this respect
29 in the way the rates are made there is a slight difference
30 between the situation around the Winnipeg and Brandon



1
2 areas than there is with respect to the couple of points
3 in the Regina area where, because of the way the blocks
4 are, some of the branch line points are a fraction higher.
5 But, you can find the same thing in Manitoba because it
6 necessarily has to be that way from the blocks and it
7 is just that we did not spend the time in searching it
8 out.
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14 (Page 10079 follows)
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1 The next request was one from Mr. Doherty
2 on behalf of his client the Province of Saskatchewan.

3 In Volume 25, pages 3610 and 3611, Mr. Doherty
4 was referring to page 23 of Mr. Roberts' precis showing
5 the comparison of proposed rates for the movement of
6 western grain to export positions with the present rate
7 for comparable distances by the movement of grain from
8 various shipping points in the United States to export
9 positions Duluth and Seattle, and the Commission will
10 recall that in the United States domestic rates and the
11 rates moving to export positions are the same. Mr.
12 Doherty requested Mr. Roberts to supply the present
13 Canadian domestic rates that would apply to the mileages
14 shown of the export movement, United States versus
15 Canada.

16 Now, that evidence that Mr. Doherty was refer-
17 ring to was Exhibit 85, and I would request the Com-
18 mission's direction to file, as Exhibit 85-A, the
19 comparison requested by Mr. Doherty.

20
21 ---EXHIBIT NO. 85-A: Statement entitled "Request of
22 Mr. Gordon Doherty -- Volume
23 25, page 8610."

24 MR. SINCLAIR: Exhibit 85-A is a statement
25 showing the present rate on wheat from points in western
26 United States to Duluth, Minnesota, and Seattle,
27 Washington, versus rates from equidistant city points
28 in western Canada to Fort William and Vancouver and
29 Canadian domestic grain rates for United States miles.

30 I should state to the Commission that I am
indebted to my friend Mr. Doherty for drawing this



1
2 comparison to the attention of the Commission. It is
3 a comparison that had not occurred to me to make and
4 it shows the general comparability of the domestic level
5 of rates in western Canada with the United States rates,
6 and is further, in my opinion, justification for the
7 evidence submitted by the company to this Commission.

8 As I say, I am indebted to my friend.

9 In volume 25, at page 3615, Mr. Dickson asks
10 what was the approximate volume of grain per year in ton
11 miles that moves at domestic rates from western Canada
12 compared with the volume in ton miles for eastern Canada
13 moving at domestic rates. That, of course, would be
14 comparing domestic rates on grain and grain products in
15 the west with the volume of domestic traffic on grain and
16 grain products in the east. There were, following that
17 request, certain consultations between Mr. Dickson and
18 myself that are recorded, and we have found that we cannot
19 develop without a special study -- which would be some
20 time and expense to do -- the tons domestic west and
21 east, but we have revenue ton miles and I think that meets
22 the request maybe just as well as it can be met on any
23 basis. I think revenue ton miles is a very good measure;
24 and those are as follow: In eastern Canada revenue ton
25 miles in grain and grain products at domestic rates is 603,039
26 thousands, and in western Canada the revenue ton miles
27 grain and grain products is 432,145,000 thousands-- about 50
28 per cent higher in Eastern Canada. This is for the
29 year 1958.

30 Then, the next one is in volume 26 at page 3701.



1
2 This arises from a request of my friend Mr. Frawley,
3 in his examination of Mr. Roberts. In volume 26, page
4 3701, Mr. Frawley asked Mr. Roberts the effective rate
5 from Calgary to Vancouver prior to the general order
6 448 of 12 September, 1927. You will recall that is the
7 date upon which the Board of Transport interpreted that
8 section of the amending legislation of 1925 that precluded
9 the use of the agreement as an answer to a claim for
10 locality discrimination and resulted in equidistant rates
11 export eastbound and westbound.

12 We have been into this, and the facts, according
13 to the notes I have been supplied with by our traffic
14 officers, are as follows: Prior to the date when
15 rates on grain from western Canada to Pacific ports for
16 export were fixed by order of the Board the rate on
17 grain from Calgary to Vancouver for export was 25 cents
18 per hundred. Pursuant to the Board's order 384 of
19 October 10, 1923 -- that was the 10 per cent reduction
20 order -- the rate was then 22½ cents. That became
21 effective October 22, 1923. Then, on the application
22 of British Columbia the Board, by order 36769, dated
23 2nd September, 1925, ordered the Railways to reduce
24 their tariff on grain and grain products to Pacific
25 ports for export and the rate was 21 cents; then, on
26 September 12th, 1927, the rate was further reduced to
27 20 cents, Calgary-Vancouver, under Board Order No. 448,
28 dated August 26th, 1927.

29 Then, in volume 26, Mr. Cooper, in his
30 examination of Mr. Crump at pages 3834 and 3835, asked



1
2 Mr. Crump the net investment of Canadian Pacific in its
3 railway transportation system. In accordance with Mr.
4 Crump's evidence it had grown from 950 million 1946 to
5 1,440 million at the end of 1958.

6 Mr. Cooper asked for the increase in non-rail
7 investment in the same period and we undertook to get
8 that. We have prepared an exhibit which I would ask
9 to have marked as Exhibit 126. It is entitled: "Request
10 of Mr. A. G. Cooper -- Volume 26, page 3835: Increase in
11 non-rail investment 1958-1946."

12 ---EXHIBIT NO. 126: Document entitled: "Request of
13 Mr. A. G. Cooper -- Volume 26,
14 page 3835."

15 MR. SINCLAIR: Now, Mr. Chairman, as I antici-
16 pated when the question was put -- and I made mention of
17 it at that time -- we have had to look at this in the
18 light of the situation that existed in 1946 and as it
19 now exists and put it on a comparable basis, and this
20 exhibit shows what the same assets were in 1958 invest-
21 ment as were in non-rail assets in 1946. It has been
22 necessary to add to the 1958 non-rail figure the net
23 investment and assets from non-rail to rail, pursuant
24 to the uniform classification prescribed by the Board
25 of Transport effective January 1st, 1956. This shows
26 in the period, after bringing the two figures into
27 balance, an increase in non-rail investment of Canadian
28 Pacific of \$31 million.

29 Now, the next question is at volume 27, pages
30 3923 and 3925. This is during the examination of Mr.



1 Crump. He asked Mr. Crump for Canadian Pacific's average
2 rate of return on net investment on railway property for 1943
3 through 1945. I pointed out at that time in the transcript
4 the difficulty we would have because of the question of
5 the adjustment necessary in relation to excess of user
6 depreciation over straight line, and I said that we would
7 do our best to prepare it if my friend would allow me
8 to restate certain matters that flow from these facts,
9 and we have prepared an exhibit which I would ask to
10 have marked as Exhibit 127. It is entitled "Request of
11 Mr. Dickson, Volume 27, page 3924. Rate of Return on
12 Net Rail Property Investment."
13

14 ---EXHIBIT NO. 127: Document entitled "Request of
15 Mr. Dickson, Volume 27, page 3924."

16 MR. SINCLAIR: This shows that the average rate
17 on net railway property investment in the years 1940 through
18 1945 was 5.1 per cent. The high was the year 1943 where
19 the rate was 6.1 per cent, and the low was the year 1940
20 where the rate was 3.8 per cent.

21 Exhibit 127 shows the note: "Net earnings and
22 net investment restated on an estimated basis to reflect
23 straight line depreciation as prescribed by the Board."

24 Then, Mr. Dickson, also during his examination
25 of Mr. Crump and at the same pages I have just referred
26 to, namely, volume 27, pages 3924 and 3925 -- it is
27 in that area -- asked Mr. Crump for the range of rates of
28 return for the 13-year period 1946 through 1958 when
29 rail and non-rail investment was added together and
30 assuming a tax rate of 50 per cent. In other words, as



1 I understand it, what is asked for is to take rail and
2 non-rail investment through this 13-year period and
3 assume that the tax rate is 50 per cent.

4 As you will recall, Mr. Chairman, this tax rate
5 of 50 per cent which we are now faced with to meet in
6 the industry in Canada is higher than it was at other
7 times. For instance, in 1947 when this matter was being
8 discussed in this room by certain of the people here --
9 and some of them will remember -- as I recall the tax
10 rate was about 35 per cent.

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18 (Page 10089 follows)
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2 We have assumed, as Mr. Dickson had assumed, the 50
3 per cent tax rate, and we have taken the net investment
4 and depreciation on the Board of Transport Commissioners'
5 basis throughout the period so that it is going to have
6 some comparability. In other words, there are calcul-
7 ations behind these that you cannot take just by looking
8 at any published reports. With the 50 per cent tax
9 rate, the rate of return on the total investment of the
10 company was a high of 4.7 per cent in 1950, and the
11 low in 1958 of 2.8 per cent. The effective tax rate
12 in 1958 was 47 per cent, and, of course, when I say
13 effective tax rate, we have made the calculations for
14 the provincial-dominion under the tax agreements.

15 I would like to add that statement, which is
16 entitled: "Request of Mr. R. G. B. Dickson, volume 27,
17 page 3924", showing the range of rate of return on
18 total net investment in rail plus non-rail property for
19 13 years, 1946 to 1958, assuming a 50 per cent income
20 tax rate, filed as Exhibit No.128.

21 ---EXHIBIT NO. 128: Request of Mr. R. G. B. Dickson,
22 Volume 27, page 3924.

23 MR. SINCLAIR: I must say, Mr. Chairman, that
24 I feel it incumbent upon me to say that I think that
25 Exhibit, the information there supplied, is really a rather
26 irrelevant exhibit. I was going to object to it, but
27 people have done the work and I am putting it in because
28 taxes are a cost just the same as anything else, and if
29 there had been a tax rate of 50 per cent applicable,
30 then I would assume that appropriate adjustments would
have been made in the selling price, and that the returns



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2 are therefore completely hypothetical, and are merely
3 calculations. I don't know what my friend intended
4 to do with them, but I have a suspicion, and I am there-
5 fore putting this in. I would hate him to say that they
6 were figures that I had supplied to them, other than I
would supply them at his request.

7 Now, volume 27, the next one, again Mr. Dickson,
8 page 3984. He is examining on behalf of his clients
9 Mr. Crump. He is asking Mr. Crump how much Canadian
10 Pacific invested in trucking facilities in the year
11 1958. Mr. Crump said he didn't have the information
12 available, and he asked Mr. Crump would it be over
13 eight million, and then there was some discussion and
14 Mr. Dickson, referring to the annual report, said it
15 seemed to him something in excess of nine million. We
16 undertook to get it accurately for him, and his assump-
17 tion was correct; the figures Canadian Pacific invested
in trucking facilities in 1958 was \$9,348,238.00.

18 Now, Mr. Chairman, there is one further item
19 that is outstanding, and this arose in volume 27, again
20 at the request of Mr. Dickson while Mr. Crump was on the
21 stand, and in this question he asked for certain information
22 regarding railway labour, number of employees, gross ton-
23 miles, output and productivity factors. I have not
24 that information ready, Mr. Chairman. I have requested
25 it of our people who are involved, but after our check
26 of the transport commissioners, unfortunately they have
27 been very much engaged in a matter of our labour relations,
28 the preparation of our brief which is now set for comm-
29 encing May 9 in the large rate case in conciliation
30 proceedings, and they are working very hard and they could



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2 not do it. So I said to them: "Well, first things
3 must come first, and I hope that you will find time to
4 do this, but I quite recognize the disabilities you are
5 under and I will explain it to the Commission," and
6 as soon as they can get time to get this I will put it
7 in.

8 One further thing, Mr. Chairman. Since the
9 Commission has been in session in the past month the
10 annual report of Canadian Pacific for the year 1959
11 has been issued and distributed to the shareholders,
12 and, in accordance with the practice and so that it may
13 be available for anyone who wishes to use it, I would
14 like to have that filed as Exhibit 129.

15 ---EXHIBIT NO. 129: Annual Report of
16 Canadian Pacific
17 Railway for the Year
18 1959.

19 MR. SINCLAIR: Now, as I say, Mr. Chairman,
20 this involves a careful check - at least we think it is
21 careful - of hundreds of pages of transcript and I think
22 covers all the requests that were made on Canadian
23 Pacific. Now, if through inadvertance we have overlooked
24 any of them, I am certain they will be known to the
25 person who made them, and if they will be good enough to
26 bring them to my attention we will see if we can get the
27 information.

28 THE CHAIRMAN: Thank you, Mr. Sinclair. I
29 think you have covered everything in that respect.

30 Is there any information from Canadian
National?

MR. McDONALD: No, Mr. Chairman, I do not recall



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2 that there is anything outstanding at the present time.

3 THE CHAIRMAN: Now, we will hear from the
4 Canadian Federation of Agriculture.

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6
7 SUBMISSION OF
8 THE CANADIAN FEDERATION OF AGRICULTURE

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10 Appearances:

11 Mr. H. H. Hannam, President

12 Mr. W. C. Hopper, Economist

13 Mr. David Kirk, Secretary-Treasurer.

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16 THE CHAIRMAN: Mr. Kirk, you are resident in
17 Ottawa now?

18 MR. KIRK: I am, yes.

19 THE CHAIRMAN: And you had been resident in the
20 west for a time?

21 MR. KIRK: I was, in Regina, for a good many
22 years.

23 THE CHAIRMAN: And you are now here and you
24 are presenting a brief on behalf of the Canadian
25 Federation of Agriculture.

26 MR. KIRK: That is right, yes.

27 THE CHAIRMAN: All right, Mr. Kirk.

28 MR. KIRK: Thank you very much, Mr. Chairman.

29 Mr. Chairman, The Canadian Federation of
30 Agriculture welcomes the opportunity of appearing before



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2 this important Commission and of stating, as briefly as
3 it can, its views on some of the basic policy questions
4 which are before you. The Federation is a national gen-
5 eral farm organization embracing in its membership most
6 of Canada's direct membership organizations, farmer co-
7 operatives and commodity associations. The principle
8 upon which our Federation is constructed is that it be
9 nationally representative of all bona fide farmer organ-
10 izations that choose to associate themselves with it,
as in fact most have done.

11 2. A number of the organizations within the
12 Canadian Federation of Agriculture have made separate
13 representations to you on those matters of interest to them
14 and from their particular points of view. This presentation
15 will not attempt more than to deal with a few of the
16 basic issues of national transportation policy as the
17 farmers of Canada see them. We do not appear before you
18 as specialists in the field of railway economics. On
19 the other hand, we do feel that the elements of the
20 problem are clear and we wish to place before you as
21 strongly as we can the nature of the principles and
22 policies which in our opinion should be followed in deal-
23 ing with it.

24 3. We will begin by stating our principal conten-
25 tions as contained in this presentation:

26 (1) Successive general horizontal rate increase
27 awards have resulted in a growing distortion of the
28 rate structure as an attempt has been made to obtain
29 increased revenues from a shrinking proportion of the
30 rate traffic. In this process the burden of the



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2 agricultural freight user has been disproportionately
3 great. Also, the railroad's share of the freight business
4 has declined. Present national policy should be to
5 avoid further general rate increases while taking all
6 reasonable steps to improve railway efficiency, realize
7 fair earnings to the railway companies, and improve in
8 general the ability of the railroads to meet the severe
9 competition with which they are faced.

10 (ii) National policy as well as the welfare of the
11 Canadian agriculture dictates that the statutory Crow's
12 Nest grain rates remain at their present level, and with
13 this there is little or no disagreement. But more than
14 this these rates stand in a special, and in a very real
15 sense contractual, relation to the Canadian economy and
16 to national policy both historically and as a present
17 fact. The railways' proposals which call for a national
18 subsidy to them in the guise of a national subsidy to
19 the western grain grower are made in disregard and
20 denial of this relationship, and therefore must be rejected.

21 (iii) Because they are an instrument of national
22 policy, and not just another business enterprise, the
23 question of the possible need for giving financial
24 assistance to the railways, whether the C. N. R. or the
25 C. P. R., is always a valid one deserving of examin-
26 ation. Canadian railroads were started with government
27 aid in the form of cash and land grants. Other forms
28 of transportation have enjoyed various forms of govern-
29 ment assistance and/or direct operation. The question
30 is not one of principle but of policy. The need for
assistance and the basis for assistance should be



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2 seriously examined, and the assistance granted if
3 required in light of all circumstances and if the need
4 is minimized by realizing the greatest possible progress
5 in increasing productivity and efficiency in railroad
6 operation.

6 Agriculture and Canadian Transportation Policy

7 4. Probably no other Canadian industry is today
8 such a large and continuous customer of our combined
9 transportation facilities as is agriculture. In 1959
10 cash income from the sale of farm products was \$2,776
11 million. In the marketing of all of the great volume
12 of agricultural commodities represented by this figure,
13 some form of transportation was employed and significant
14 costs were incurred. The major part of the products
15 of every type of agricultural enterprise being operated
16 in the various provinces are moved by rail, highway,
17 water or air to domestic or export markets. Supplies
18 of many kinds required by agricultural producers for
19 production, marketing and living, valued annually at
20 hundreds of millions of dollars, must also be trans-
21 ported. Adequate, efficient and low cost transportation
22 is therefore of the utmost importance to every producer
23 of agricultural commodities.

22 5. Agriculture makes it possible for transport-
23 ation services to survive over our vast distances and
24 scattered population and conversely transportation is
25 a lifeline that has made it possible to develop our
26 agricultural resources in the past and is vital to
27 continued development in the future.

28 6. Transportation questions like agricultural
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30



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2 questions have therefore been interwoven with the
3 political life of Canada throughout our history. Agric-
4 ulture and transportation have been firmly joined
5 together as instruments for national development in every
6 stage of Canada's growth. Transportation services have
7 had to be adapted on several occasions to enable agric-
8 ulture to make its greatest contribution to the economy.
9 The trans-continental system with its branch lines enabled
10 agricultural settlement to reach most of the areas in
11 Canada suitable for farming and provided an interprovin-
12 cial bond that has contributed to Canada's nationhood
13 and to the realization of an economically workable and
14 prosperous new dominion.

14 7. One of the basic principles of Canadian
15 public policy was important in the development of trans-
16 portation and in agriculture's growth. This was that
17 transportation should be subject to public regulation and
18 control to ensure that agriculture's interests were pro-
19 tected. It was considered most important that freight
20 rates for agricultural products be fair and just, and
21 low enough to protect their competitive position. Al-
22 ternative services were also deemed advisable as a protection
23 from monopoly practices. The Crow's Nest Pass Agreement,
24 which guaranteed rates on farm products and farm supplies
25 from and to shipping points on the C. P. R. in 1897
26 and the later extension, mainly as a result of the
27 Manitoba agreement of 1901, to cover export grain ship-
28 ments from most of the prairie shipping points were
29 part of a national policy of economic development. A
30 major step in public regulation of rates was made in 1904



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2 when the Board of Railway Commissioners was appointed to
3 control rates and services and to prevent unjust discrim-
4 ination.

5 8. Another measure was adopted in the 1920's
6 confirming the undertaking that it was in the public
7 interest that agriculture should be assured of rates which
8 were not excessive in the public interest. This was
9 the amendment to the Railway Act in 1925 that re-
10 established, in somewhat revised form, the Crow's Nest
11 Pass undertaking by railways and government to move western
12 grain to export position at rates which would keep these
13 vital commodities competitive in the market. Still
14 another measure of assistance to agriculture was the
15 Maritime Freight Rates Act of 1927 that required a
16 reduction of 20 per cent in the rail rates within the
17 maritime provinces and some part of Quebec, and a 30
18 per cent on the outgoing traffic from those areas.
19 The 30 per cent is a more recent development; originally
20 it was 20 per cent, and, of course, this Act is not
21 devoted exclusively to agricultural aid.

22 9. Substantial steps have been taken through
23 public policy to provide alternative services. Two
24 additional transcontinental railways, Grand Trunk Pacific
25 and the Canadian Northern, were promoted and built.
26 These opened an additional outlet in the Pacific sea-
27 board. An alternative to the lakehead was then provided
28 by the Hudson's Bay Railway to Churchill, completed in
29 the 1920's. Finally, public expenditure for the
30 building of highways and waterways has extended the
alternative services available to agriculture. Highways



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2 have been particularly significant in this, greatly
3 extending the local market area farmers can reach and
4 providing an alternative to the railway for an increasing
5 volume of even long-haul traffic.

6 The Present Position of Agriculture

7 10. If agriculture were enjoying the prosperity
8 that is enjoyed today by most other Canadian industries
9 and by the economy as a whole, the costs of transporting
10 agricultural commodities would not be so burdensome. For
11 no other nationwide industry is it more imperative than
12 it is for agriculture to have a Canadian transportation
13 system which is economic and efficient and therefore as
14 low in cost as it is possible to make it.

15 11. In the main, the incidence of transportation
16 charges for agricultural products is on the agricultural
17 producers because of the difficulty or impossibility of
18 passing them on to the consumer or foreign buyer.

19 12. Incomes from farming are low compared with those
20 in other industries. In spite of the growth in Canada's
21 population from 13,500,000 in 1949 to 17,650,000 in 1959,
22 and the consequent increase in demand for food in the
23 domestic market and some expansion in world markets for
24 farm products, agricultural prices have not responded.
25 The general level of farm prices is lower than it was
26 in 1949. Moreover, the average costs of goods and
27 services purchased by farmers for his production
28 activities rose by 31 per cent from 1949 to 1959. It
29 can readily be seen that the farmers of Canada are in
30 what is descriptively called a "cost-price" squeeze.

13. The net income of farm operators from farming
operations fell from \$1,415,789,000 in 1949 to



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2 \$1,189,388,000 in 1959. In terms of 1949 dollars, the
3 1959 net income was only \$914,908,000 or a decrease
4 compared with 1949 of about 35 per cent. A most serious
5 aspect of the situation lies in the fact that looking
6 ahead the farmer does not see prospects of any fundamental
7 improvements in his economic position in the near future.

8 14. In contrast to the farmer's position there
9 have been definite upward trends in non-agricultural
10 prices and consumer incomes. For example, workers in
11 manufacturing last year received an average of \$1.72
12 per hour for a 40.7 hour week whereas in 1949, the aver-
13 age was 99 cents per hour for a 42.3 hour week.

14 15. We point out these facts because we think they
15 have a legitimate relevance to determination of public
16 policy in the field of freight rates. This is partic-
17 ularly the case when, in the first place, the burden of
18 freight rate increases can largely not be passed on to
19 the consumer by the farmer, although increases in the
20 commodities he buys are passed on to him. In the second
21 place, as we shall show in the paragraphs which follow,
22 freight rate increases bear disproportionately on the
23 agricultural population.

24 16. A study of the Waybill Analysis of 1958 reveals
25 that revenue derived by the railways from carlot ship-
26 ments of agricultural products (excluding imported products
27 such as rice, cotton, citrus fruits and coffee), animal
28 products (excluding fish) and food products (most canned
29 and frozen) represented about 27 per cent of the total
30 railway revenue from carlot freight movement of all com-
modities. If to this figure is added the revenue from



1
2 the handling of fertilizers, insecticides and agricul-
3 tural implements and implement parts it would be increased
4 to 28 per cent. This leaves 72 per cent of the railway
5 freight revenue from commodities in a non-farm category.
6 Railways of course carry many commodities used by
7 farmers for productive purposes not included in those
8 already mentioned. These commodities include coal,
9 gasoline, containers for fruit and vegetables, nursery
10 stock, building materials, twine, wire, motor trucks,
11 etc. It is not possible to determine from the Waybill
12 Analysis the proportion paid by farmers of the railway
13 revenue from the handling of these commodities. Then
14 there are the commodities purchased by farmers through
15 their living expenditures as consumers.
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2 17. The 1956 census shows that 17 per cent of
3 Canada's total population lived on farms. Assuming that
4 farm people buy as much as non-farm people of the commo-
5 dities not included in the 28 per cent of railway revenue
6 from farm items, it would mean that farmers and their
7 families pay an additional 12 per cent of the total freight
8 costs. It is true that people living on farms con-
9 sume less than non-farm people because of lower incomes,
10 but it seems reasonable to believe that the longer
11 average distance of farmers from market centres and the
12 many items of farm cost omitted from our 28 per cent
13 estimate will offset the small consumer purchases as a
14 factor in estimating the incidence of freight costs of
15 farmers.

16 18. Based on these calculations, farmers and
17 their families bear about 40 per cent of the costs of
18 railway freight charges.

19 19. Another important feature of the figures in
20 the 1958 Waybill Analysis is the long distances which
21 agricultural products and supplies required by farmers
22 are moved by rail. The average haul of commodities
23 of all kinds was 431 miles. For agricultural products
24 it was 748 miles; for animal and animal products 862
25 miles; for agricultural implements 1,367 miles; and for
26 implement parts 1,623 miles. The ton miles for these
27 and fertilizers and insecticides according to the 1958
28 Waybill Analysis was about 48 per cent of the total
29 ton miles for commodities of all kinds moved in carlot
30 quantities by rail in 1958. Horizontal increases in



1 freight rates tend to be applied more fully to the
2 long haul traffic because there is less competition
3 from motor trucks as carriers of those commodities and
4 this fact operates to the disadvantage of farmers.
5

6 Reducing Railway Costs:

7 20. Railways are essential to agriculture, to non-
8 agricultural industries and to national defence. The
9 dynamic nature of our whole transportation system is
10 confronting the railways with many problems. It is
11 nevertheless expected that the volume of railway traffic
12 will increase somewhat faster in the next 25 years than
13 in the preceding quarter century, perhaps by 75 per cent
14 to 80 per cent. (Royal Commission on Canada's
15 Economic Prospects, Final Report, page 282.) In making
16 this prediction, the Royal Commission laid particular
17 stress on what it considered to be the very considerable
18 scope for increasing railway efficiency, productivity
19 and rationalization of services. It is essential that
20 public policy relating to the railroads be such as to
21 give maximum incentive and opportunity for the realiza-
22 tion of possible efficiencies -- and also that some
23 realistic picture be arrived at as to what the poten-
24 tialities are. It is difficult to see how the railway
25 policy questions that face the nation can be properly
26 answered in the absence of such appraisal, and without
27 enabling the railways to realize their potential for
28 increased productivity as rapidly as is feasible.

29 21. There are indications that up to now the rate
30 at which the railways have succeeded in realizing



1
2 desirable improvements in productivity and efficiency
3 could have been greater.

4 22. Improved locomotives, lighter materials, impro-
5 ved freight cars, better rail, as well as mechanization
6 and automation of freight handling, switching, signal-
7 ling, track maintenance, and office systems offer
8 considerable scope for increasing efficiency and raising
9 labour productivity in the handling of freight and
10 passengers. We believe the Canadian railways have
11 adopted or have plans to adopt many of these modern
12 facilities which will mean substantially increased
13 productivity. Dieselization of Canadian railways
14 is expected to be completed by 1961.

15 23. It is possible with modern diesel engines and
16 the higher speeds of modern trains for train crews to
17 travel longer distances each day and earn higher wages
18 per day while at the same time reducing the costs per
19 mile of travel. (The Association of American Railroads
20 reports that the average active freight locomotive in
21 1958 performed 22 per cent more mileage each day than was
22 run by locomotives in 1946 while passenger locomotives
23 were up 51 per cent.)

24 24. It may be that a full time agent is still
25 being maintained at stations where freight, express,
26 telegraph business and passengers are not sufficient
27 to warrant this expense. A "floating" agent serving
28 a number of stations with arrangements for the agent
29 to be at each station once or twice a week may be all
30 that is necessary in such cases.



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2 25. A task that should be undertaken is a study of
3 the incidence of what is known as featherbedding --
4 the employment of men for work not done or not needed
5 -- on Canadian railways and its impact on railway
6 economy. If such an investigation is not within the
7 terms of reference of the Commission, it should be con-
8 ducted as a separate undertaking because it is certainly
9 relevant to the railway problem. The Association of
10 American Railroads claims featherbedding on the rail-
11 roads of the United States wastes more than \$500 million
12 a year. It is reported that in 1958, the Interstate
13 Commerce Commission calculated that railroad crews
14 worked only 57 per cent of the hours for which they
15 were paid. We do not suggest that this figure tells
16 the whole story but it is a figure that leads one to
17 look for close investigation. Featherbedding results
18 in higher passenger fares and freight charges. It
19 cancels out many of the economies which would otherwise
20 be obtained by streamlining the modernization of rail-
21 way passenger and freight services. It blocks
22 changes which would lead to more efficient and there-
23 fore lower cost railway operations. It invites com-
24 petition which is not so burdened and which is slowly
25 taking over railway traffic. One feature of feather-
26 bedding on Canadian railways which was a subject of
27 repeated negotiations between the railways and the
28 railway unions, namely, the problem of firemen on
29 freight and yard service has been resolved. There
30 probably are, however, other aspects of this subject



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2 which need study and where possible, correction, with
3 a view to reducing railway costs.

4 26. It is a generally accepted fact that the
5 costs of operating some branch lines are not being met
6 by the revenue on these lines. We know that the rail-
7 ways are constantly studying the profitability of their
8 branch lines and in recent years authority has been
9 granted for abandonment of several such lines. We
10 are aware too that a number of applications by the rail-
11 ways are now before the Board of Transport Commissioners
12 for the further reduction in branch line operations.

13 27. We do not have sufficient information, or staff
14 to analyse this subject in detail, to make a general
15 recommendation for action. It is quite possible that
16 the abandonment on some branch lines on which trains
17 are now operating would be desirable and would help in
18 reducing unnecessary costs. It should, however, be
19 borne in mind that the elimination of some branch lines
20 would not accomplish an overall reduction in costs
21 if it resulted in a significant decrease in the traffic
22 on the main line. We agree with the statement in the
23 submission of the Manitoba Federation of Agriculture
24 "that in some cases there should be abandonment of super-
25 fluous lines but that this should be done over a period
26 of years after public hearing and notice, and there
27 should be cooperative arrangements between the railways
28 and the municipalities and provinces to coordinate the
29 construction of new roads with the new pattern of
30 freight movement. Similarly, elevator companies and



1
2 others owning facilities on the lines to be abandoned
3 should have a proper chance to re-arrange their or-
4 ganizations to cut down, so far as possible, the
5 dislocation and cost of changing to a new location
6 on an alternative rail connection."

7 28. The Turgeon Commission in 1951 recommended
8 more joint action should be taken by the two railways to
9 achieve operating economies. This subject might well
10 be given further study by the Commission.

11 The Railways Competitive Handicaps:

12 29. The problems of railways not only in Canada but
13 generally have increased parallel to the growth of new
14 technology and the growth of competing transportation.

15 30. The difficulties which presently face the
16 railroads, and they are very real ones, are briefly
17 three: a continuing loss of traffic, (CPR brief,
18 section V.p.4(c), Joint Submission, Exhibit No. 45,
19 p.28) much of it the most profitable, to competitors;
20 increasing costs of labor, materials and other opera-
21 ting expenses (CPR Reports their labour cost has in-
22 creased 100 per cent and materials 52 per cent since
23 1947, see Section V. p. 10) not fully offset by a
24 corresponding increase in productivity; and the inability
25 of the railways to increase revenues to meet higher
26 costs because competition and successive general rate
27 increases have brought all but a few rates close to
28 their economic competitive ceiling. (See CPR Brief,
29 Section 7, p.4-5, and CNR Brief, Section V. p.7-8,
30 Joint Submission, Exhibit 45, p. 28 and p.33.) These



1 problems are interrelated and lie at the root of the
2 railway problem. This would appear to be the time for a
3 reappraisal of Canada's transportation policy so that it
4 will better meet the requirements of the national
5 interest and contribute to the economic and political
6 objectives of the nation. The treatment of the Crow's
7 Nest rates by the railways as the central issue of
8 railway policy is most unfortunate, distorting as it does
9 the perspective in which the problem of railway policy
10 should be studied, and obscuring the basic forces of
11 change which are at work.

12
13 31. Truck transportation has had an extremely
14 rapid growth in Canada. The numbers of trucks regis-
15 tered grew from 130,000 in 1928 to over one million
16 in 1958.

17 32. Paved highways increased from 64 thousand
18 miles in 1928 to 231 thousand miles in 1957. Inter-
19 city freight carried by trucks increased from 1,182
20 million ton miles in 1938 to 8,330 million ton miles
21 in 1957. (Statistics and the Study of Road Transport,
22 by G. A. Wagdin, memo, DBS, September 1959, Table 7a.)
23 Construction of highways and regulation of trucking is
24 largely in the hands of the provincial governments.
25 (Federal contributions to the Trans-Canada highway
26 are an exception.) Provincial control of the truck-
27 ing industry is loose relative to federal control of the
28 railways, partly because of the small scale and local
29 nature of many trucking enterprises, yet government is
30 deeply involved, through the construction of roads and



1 bridges, in the trucking industry.

2
3 33. The employment of trucks for the movement of
4 agricultural products has resulted in substantial
5 economies in transportation costs to farmers, par-
6 ticularly on short hauls. Products of an agricultural
7 nature are carried by trucks to many destinations and
8 many kinds of supplies required by agricultural pro-
9 ducers are moved to farmers and agricultural coopera-
10 tives in the same manner.

11 34. Trucks are handling much of the most profitable
12 freight traffic. They can give the flexible service
13 needed by those shipping processed and high-valued com-
14 modities. They can reach into areas that are inac-
15 cessible by rail. They can pick up at the farm or
16 factory and deliver to the door of the buyer without
17 costly delays, damage, warehousing or extra handling.
18 Trucks have revolutionized the local farm transpor-
19 tation operations, widening the farmer's market area
20 and enabling him to transport his products quickly and
21 conveniently. Changes in the structure of our
22 economy have also contributed to the growth of truck-
23 ing. (Royal Commission on Canada's Economic Prospects,
24 Final Report, p. 271.) The railways' recognition of
25 the advantages of motor trucks as carriers of freight
26 is shown by the operation of piggyback services and by
27 their entry into the trucking business.

28 35. Trucks have competed extensively with the
29 railways in central Canada for many years and have
30 served the farmers there by limiting increases in many



1
2 rail rates. Mainly since the railway strike of 1950,
3 this truck competition has developed also in the
4 maritimes and western provinces. Horizontal rate
5 increases have raised those rates which were below the
6 level where trucks could compete. The maritimes and
7 the prairies, particularly their farmers, have borne the
8 brunt of the inequities imposed by these increases.
9 Yet it is important to note that successive horizontal
10 increases are placing many traditionally non-com-
11 petitive, long-haul rates so high that trucks can com-
12 pete. Thus we find potatoes now being moved from
13 Prince Edward Island at agreed charges; dressed meat
14 moving from the prairies to Toronto by truck to such
15 an extent that rail rates were dropped last May to a
16 competitive level 30 per cent below former rates; and
17 for similar reasons, rates on western livestock were
18 dropped 8 per cent in September 1959.

19 36. This diversion of rail traffic to trucks is
20 more common on short haul service. The flexibility,
21 convenience and speed of truck service often makes it
22 superior even when it is higher in cost. Yet general
23 freight is now being shipped from central to western
24 Canada by truck.

25 37. Pipe lines are particularly suited to the
26 transportation of Canadian oil and gas because of the long
27 land-haul involved, their freedom from seasonal in-
28 terruptions and the high degree of mechanization
29 possible. Their mileage has been extended very rapidly
30 in the past fifteen years. Their ton mile volume rose



1 from 400 million in 1945 to 6,818.6 million in 1953 and
2 has continued to rise since 1953. Railways have lost a
3 major part of their traffic in petroleum.
4

5 THE CHAIRMAN: We will have a short recess now.
6

7 ---Short recess.
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This page is
issued to re-
place pages
10111 and 10112
in Volume 55

THE CHAIRMAN: Yes, Mr. Kirk?

MR. KIRK: Airline transport expanded greatly since 1945 though in volume it had reached only 38 million ton miles of revenue freight by 1957. (Ibid) 39. The ton miles of revenue freight carried by water rose from 20,688 million in 1938 to 31,251 million in 1957. (Ibid) These water carriers handle mainly grain, iron ore and coal. Their rates for grain were less than two-thirds of the lower competitive railway rate from the lakehead to Montreal. With the opening of the St. Lawrence Seaway last year, rates were lowered further and water traffic should expand even more rapidly.

40. While the volume of rail traffic continued to increase over the period, from 26,835 million ton miles in 1938 to 63,645.7 million in 1945 to 71,647 million in 1957, both trucks and pipelines handled much freight



1
2 that the railways would otherwise have hauled. This
3 competitive loss has continued. The C. N. R. reported
4 in its brief on December 4, 1959, to this Commission,
5 that its share of total transportation dropped from 35
6 per cent in 1948 to 26 per cent in 1957, while for both
7 railways the share of freight dropped from 71.2 per
8 cent to 54.7 per cent in the same years. (C. N. R.
9 Brief, Section V, Page 6.)

10 41. This rapid growth in competition for the
11 railways has given rise to an increase in the problems
12 facing them. The suggestion that the Crow's Nest rates
13 are a major problem is unfortunate, obscuring as it
14 does the more important issues.

15 42. A measure of the force of the new competitive
16 conditions is that they have created difficulties for
17 the railways in prosperity rather than in depression.
18 But it should also be noted that these problems are
19 not peculiar to Canada's railways. In the U. S., where
20 there are no Crow's Nest rates, railroads are facing the
21 same difficulties and are making some progress in
22 solving them.

23 43. These basic problems are long run in nature.
24 Labour and material costs have risen appreciably since
25 the Second World War. (An application for a further
26 wage increase is now under consideration.) At the
27 same time, technological improvements have not been
28 adopted rapidly by the railway companies, (Canadian rail-
29 ways have been behind U. S. railways in this,) and
30 increases in productivity have not kept pace with costs.
This slowness in technical improvement has certainly



1
2 made it easier for competitors to take traffic from the
3 railways. (Donald Gordon, President of the C. N. R., in
4 his year-end review December 31, 1959, stated "This
5 repetitive squeeze between revenues and expenditures
6 sharpens Canadian National's need to increase productivity
7 and efficiency so as to serve its customers at fair
8 prices, provide satisfactory remuneration to its employees
9 and earn a reasonable return on capital investment".)

10 44. Evidence of the dilemma of the railways is
11 found in their failure to raise many rates which were
12 authorized since 1948 by the Board of Transport Commiss-
13 ioners. (Yet both railways were in financial difficul-
14 ties. By 1949, for example, C. N. R.'s deficit had risen
15 to \$42 million where, in 1943, it had a surplus of
16 \$35 million.) In effect, where truck competition exists,
17 it imposes an even lower ceiling on rates than the legal
18 ceiling fixed by the Board of Transport Commissioners.

19 (Angus, H. F., Encyclopedia Canadiana, Vol. 2, P. 198.)

20 The widening area of such truck competition, as horizon-
21 tal increases pushed rates up, is one of the difficulties
22 of the railways. This is because the area of traffic
23 from which the railways can hope to get increased revenue
24 by pushing rates higher has been eroded by competition to
25 the point where such rates would need to go up very high
26 indeed, to give any significant increase in revenue.

27 ("Possibly in 1951, certainly by 1958, many railway
28 rates had nearly reached their economic ceiling. They
29 could not be further increased without diverting traffic
30 to competing agencies or chopping off long-haul freight
because shippers will be unable to pay higher transportation



1
2 costs and still sell their goods in distant, very com-
3 petitive markets." Currie, A. W., Economics of Canadian
4 Transportation (rev.)). Yet in the process, some
5 users have experienced a disproportionately heavy increase
6 in their freight costs. The concept that it is fair to
7 increase rates in the non-competitive area as long as
8 this can be done, and regardless of the effects on the
9 rate structure, does not seem to us to be an
10 acceptable one. In its judgment of November 17, 1958,
11 the Board estimated that 73.4 per cent of revenues from
12 the rate increase award would be obtained from 47 per
13 cent of the traffic, leaving out of account revenue
14 estimates for international and related traffic.

15 45. The central problem is the loss of the high
16 rated traffic and bulk traffic like petroleum which has
17 left the railways with a disproportionately large
18 share of the low-rated traffic on which to base their
19 revenue. We do not believe this low rated traffic can,
20 or should be, expected to carry an increase in rates
21 sufficient to raise the railways' revenues to levels they
22 would regard as adequate. Such rates could go so high
23 as to prohibit the marketing of these low rated products.
24 Even where truck rates would be able to compete before
25 such high rates were reached, the railways would lose
26 much of their present traffic and in the process the cost
27 to shippers would in many cases have reached unfair and
28 undesirable levels. U. S. railways are presently losing
29 part of their grain traffic to trucks because their rates
30 were already too high. They are having to reduce their
rates accordingly. (See, for example, address by



1
2 Robert C. Handleman, U.S.D.A. at the 1959 National
3 Marketing Service Workshop, Purdue University November 18,
4 1959, mimeographed, P. 11 and 12.)

5 46. We would like to emphasize the importance of
6 facilitating the rapid and effective adoption of economies
7 and practices which will enable the railways to meet
8 competition. For example, the co-ordination of truck and
9 railway service through the piggyback technique is a
10 hopeful development and should be developed to the
11 maximum.

12 Passenger Service Problems

13 47. We think separate mention should be made of
14 the passenger service question, though it is part and
15 parcel of the railway problem. Competition, in
16 addition to limiting sources of extra revenue for the
17 railways, has caused substantial deficits in some areas.
18 One important deficit area is the rail passenger service.
19 Railways' share of passenger traffic fell from 40 per
20 cent in 1928 to 10 per cent in 1953. The number of
21 passengers carried by rail fell 39 per cent from 1949
22 to 1958. (D. B. S.) The decline has continued and while
23 further curtailment of passenger services is contemplated,
24 (see, for example, year-end statement by N. R. Crump,
25 President of the C. P. R., dated December 28, 1959,)
26 deficits on such traffic appear to have been an important
27 factor in the recent financial decline of the railways.
28 (As they have been in the U. S., also.)

29 48. Losses which are occurring on commuter and
30 other passenger services should not be charged against
freight revenues. If public and railway policy requires



1
2 a continuance of passenger services which are resulting
3 in losses to the railways, the losses involved should
4 come from public revenue. Such losses should not be
5 recouped from freight revenues.

6 49. We know that the railways are giving much
7 attention to losses on passenger services on main lines
8 and on branch lines. We are aware too, that the
9 necessary authority has been obtained for the railways
10 to discontinue the use of passenger trains, and of
11 passenger coaches attached to freight trains on some
12 branch lines because of the losses in revenue which were
13 being experienced. Probably there will be further
14 reduction of passenger services in branch lines as more
15 highways are kept open in winter for buses and privately
16 owned motor cars.

17 50. The railways report that the revenue from main
18 line interprovincial passenger trains is not sufficient
19 to cover the costs of their operation, and a drastic
20 reduction or elimination of these services may be contemplated.
21 The possibility that this action might be taken
22 should be given very serious consideration by the Commission,
23 but this is a question of public policy, rather
24 than one related to agriculture specifically. Our point
25 here is that if it is determined that the value of these
26 services is such that they should be continued, public
27 assistance should in our opinion be provided to meet
28 losses incurred.

29 Proposed Remedies for the Railways' Problems.

30 51. Provision of a direct government subsidy or
as a tax exemption in order to compensate for what the
railways have stated are losses being experienced because



1
2 of the Crow's Nest Pass freight rates is not a solution
3 to the difficulties being experienced by the railways.

4 52. In presenting their briefs the railways have
5 given evidence of undue haste to attribute their diffi-
6 culties and losses primarily to the statutory grain rates
7 rather than to other basic difficulties they are encoun-
8 tering. This too convenient a solution would saddle
9 grain growers with the responsibility for losses and
10 inefficiencies not related in any way to the Crow's Nest
11 Pass rates.

12 53. Dissatisfaction with high early freight rates
13 in western Canada was a major reason for the Crow's Nest
14 Pass Agreement which guaranteed rates on farm products
15 and farm supplies from and to shipping points on the
16 C. P. R. at that time (1897). This was later extended,
17 mainly as a result of the Manitoba Agreement of 1901
18 to cover export grain shipment from most of the prairie
19 shipping points.

20 54. The contract establishing statutory freight
21 rates on grain was clearly dictated by national policy
22 in Canada. On May 13, 1959, the Prime Minister gave
23 assurance that this contract "shall not be broken". He
24 said "the Crow's Nest Pass rates are part of a bargain
25 that was made between the railways and the government on
26 the one hand and the settlers who went west on the other
27 hand." Its value to the economy of Canada as a whole
28 has been enunciated by a President of the C. P. R. (1938)
29 by a Royal Commission (1951) by economists, governments
30 and many other well informed groups. Its contribution
to the development of western Canada and Canada's



1
2 nationhood, has been amply demonstrated.

3 55. If these rates were appreciably increased, it
4 would have a pronounced depressing effect on the prod-
5 uction of grain in western Canada and the incomes of grain
6 growers and it is universally accepted that a prosperous
7 western grain industry is not only important to the live-
8 lihood of the majority of the people of the prairie
9 provinces but to the people of all the other provinces
10 as well. This fact must always be given the highest
11 priority when any matter related to the Crow's Nest Pass
12 Agreements is under consideration. We would draw your
13 attention to the striking fact that wheat prices today
14 are actually lower, by a few cents, than they were in
15 1925. In 1925 the price was \$1.69 for No. 1 Northern
16 at Fort William compared with \$1.66 at the end of Jan-
17 uary, 1960.

18 56. If freight rates on Canadian wheat for export
19 were increased, the competitive position of Canadian
20 growers would be so undermined that it would be impos-
21 sible for Canadian wheat to be sold on world markets in
22 competition with U. S. wheat. The wheat industry of
23 western Canada would therefore be dealt a vital blow and
24 the whole economy of Canada would suffer.

25 57. Let us look for a moment at the proposal that
26 the railways be paid a subsidy based on the difference
27 between the returns from hauling grain at Crow's Nest rates
28 and a higher calculated level of theoretical rates or
29 revenues that it is suggested should be charged in
30 justice to the railways.

(Page 10121 follows)



1 This concept is simply not a satisfactory one. What we
2 should be looking at is the level of freight rates to
3 be charged on grain. It has been admitted by the
4 government that these rates cannot and should not be
5 raised -- that there is an obligation by the government
6 in agreement with the railways to carry western grain
7 at the Crow's Nest rates, and this obligation continues
8 fully valid today not only in a contractual sense but
9 in the broader sense that these rates are at a proper
10 level today in light of the grain growers economic posi-
11 tion, the national, economic and social interest and
12 the history of agricultural and railway development in
13 this country.

14 58. This should settle the question. Any notion
15 of attributing a railway subsidy to the grain growers
16 is completely foreign to this whole concept and should
17 simply be ruled out as inadmissible. The fact is that
18 the railways in Canada are not and have never been pri-
19 vate enterprises in the usual sense of the word. They
20 were made possible by deliberate acts of government
21 intervention and assistance, as instruments of national
22 policy, both economic and political. The C.P.R. owes
23 its existence and most of its non-rail earnings funda-
24 mentally to this fact. The Crow's Nest Pass rates were
25 established as part of a whole pattern of joint railway
26 government agreement and policy. To come along now
27 and suggest that transportation policy in this country
28 should be to pay the railways large annual amounts
29 from the public treasury and call this money a subsidy
30



1
2 to the western grain producer is wrong.

3 59. Let us explain further our concern over the
4 proposals regarding Crow's Nest rates which the
5 railways have put forward. The Canadian Pacific
6 Railway says explicitly that on no account must a subsidy
7 be charged against the railways -- the subsidy instead
8 must be identified as charged to the grain producers.
9 They attach importance to this distinction and so do
10 we. There is just no end to the amounts of money which
11 might be paid in future to the railways under the guise
12 of a subsidy to the western grain grower were the rail-
13 way proposals adopted. The fact is that if the rail-
14 ways are having difficulty maintaining their earnings,
15 this difficulty is to be properly identified as a
16 direct result of increasing competition, loss of
17 business, and a breakdown of the effectiveness of the
18 differential pricing system upon which the railways
19 (and the Canadian nation in the process) were built.
20 We fail completely to see why the statutory grain rates
21 should be singled out for attack especially when on
22 the basis of cost calculation adopted by the railways we
23 have no doubt many other losses could be determined.

24 60. The level of grain rates is a matter of
25 public policy and statutory decision. This is the
26 nature of the contract between the CPR and government
27 on the one hand and the western grain producer on the
28 other. The railways' proposals before this Commission
29 choose to ignore the fact that this contract, re-
30 established in revised form in 1925, must be looked
upon as part of the whole picture of transportation



1 policy in this country. Estimates of the monetary
2 return to the railways of subsidies and lands granted
3 under the Crow's Nest Pass Agreement are not by
4 themselves alone very relevant. What is relevant is
5 the fact that the Agreement was entered into by the
6 railways in light of their need to complete their
7 national transportation system. Also relevant to any
8 review of the railways' financial position is their
9 whole earnings picture both rail and non-rail. This
10 includes steamships, communications, land and mineral
11 rents and royalties and so on -- all intimately
12 associated with the whole development of the railways
13 and the government assistance given them. These are
14 the principal grounds upon which we recommend to this
15 Commission that the railways' proposals respecting the
16 Crow's Nest rates be rejected. They are fundamental
17 and overriding in our opinion.

18 61 What then, is the significance and relevance
19 of the railways' estimates of cost of handling grain,
20 leaving aside for a moment the question of their
21 technical accuracy and validity. The answer to this
22 is, we believe, that they are only one factor to be
23 considered in looking at national policy respecting
24 Crow's Nest on the basis we have just outlined. In
25 no sense can they be accepted as a formula for making
26 payments to the railways and calling them a subsidy to
27 the grain producer.

28 62. We are far from convinced, too, of the validity,
29 even on the narrow basis of judgment represented by the
30



1 railways' cost studies, of the claim that the statutory
2 grain rates are heavily non-compensatory. The interest
3 charged on investment is excessive, the allocation for
4 constant costs we would think is excessive and reflect no
5 detailed study of what these costs should be. We
6 expect that undue costs have been attributed to grain
7 at the country end. For grain no railway warehousing
8 is required, no handling and supervision is needed,
9 railway cars are coopered and filled by elevator
10 companies and such a large volume is handled that
11 numerous economies are possible. Since these Crow's
12 Nest Pass rates were established the average number
13 of cars of grain on each train has been greatly increased
14 and cars hold about double the amount of grain. If
15 inadequate allowances are made for lower costs in
16 handling grain at the loading and unloading ends the
17 ton mile costs for services beyond the hauling are
18 bound to be larger than grain should carry. However,
19 this is a complex matter on which work is being done, and
20 we are confident that expert analysis will show the
21 railways' estimates to be too high by far even on
22 their own assumptions.

23
24 63. Finally, it seems fair to say, with the
25 U.S. Interstate Commerce Commission, that "The cost
26 of transportation of any one article of commerce can
27 never be disposed of with any accuracy . . . If the
28 carrier desired to make the cost of any particular
29 traffic appear large or small, it would not be diffi-
30 cult to swell or lessen it by such figures as would



1 appear plausible in each case." (As quoted in
2 The Economics of Competition in the Transportation
3 Industries by J. R. Meyer, Merton J. Peck, John
4 Stenason and Charles Zwick, Cambridge, 1959, p. 179-180.
5 It should be noted that the above statement was quoted
6 by Mr. Peck.)

7 MR. SINCLAIR: I rise at this time, Mr.
8 Chairman, to say to the Commission that I am sure the
9 witness would like to add that that quotation comes
10 from a case of 1890 from the Interstate Commerce Com-
11 mission, and I may say that I will have some questions
12 to him on this matter.

13 I think, inadvertently, I would say, he has
14 lifted it very much out of context.

15 THE CHAIRMAN: I think he is quoting direct
16 from "The Economics of Competition in the Transpor-
17 tation Industry" by Meyer and Peck.

18 MR. SINCLAIR: Yes; that is why I think it is
19 so important to have it done. I am sure the witness --
20 because I know a little bit of his background -- would
21 be very glad to do this because he has here fallen
22 into grievous error; and possibly he and I -- and I
23 think this would be the time to do it, if you don't
24 mind -- could read this together.

25 I am reading now from the book you have refer-
26 red to, Mr. Chairman, and this is . . .

27 THE CHAIRMAN: He has given the reference in
28 the submission.

29 MR. SINCLAIR: Yes; but he didn't state
30 that the case was Haddock versus Delaware, Lackawanna



1 and Western, 1890, which is also shown; and, Mr. Chair-
2 man, he didn't go on to say -- which I think he would
3 like to do now -- to read what immediately follows that
4 quotation to put it in its proper context; and particular-
5 ly, if he would like to do it, to read the part that I
6 have underlined . . .

7
8 I will cross-examine him on it in due course.

9 THE CHAIRMAN: You will have that opportunity.

10 MR. SINCLAIR: I do think it is unfortunate
11 that in a brief like this a matter as important as
12 that was not more carefully gone into.

13 THE CHAIRMAN: You may correct that, if it
14 needs correction, in cross-examination.

15 MR. SINCLAIR: Thank you, Mr. Chairman.

16 THE CHAIRMAN: Yes, Mr. Kirk?

17 MR. KIRK: Even if the costs have been
18 accurately calculated, they would still not be as low
19 as they should be because there is so much automation
20 and technological improvement still to be completed
21 before costs would be as low as they could go. (In
22 dieselization and "In the development and use of cen-
23 tralized traffic controls, automatic signalling devices
24 and modern switching and freight handling apparatus
25 etc., we have also lagged behind the United States".
26 Final Report, Royal Commission on Canada's Economic
27 Prospects, Ottawa, 1957, p. 273.)

28 65. We commend this Royal Commission for having
29 undertaken an independent analysis of costs of moving
30 the statutory grain traffic. It is not an easy task



1
2 but an effective appraisal of the railways' cost
3 estimates is necessary and desirable. I might add,
4 in spite of their limited relevance, competitive rates
5 and agreed charges place a ceiling on revenue that may
6 put them frequently below fully distributed costs.

7 It seems unreasonable that under conditions when most
8 rates are being held down by competition that the
9 railways should ask that their revenues on statutory
10 grain should rise with costs and without regard to the
11 effects of these competitive ceilings on the overall
12 traffic picture. Their proposal would identify grain
13 as the only money losing class of railway business --
14 a proposition which we are sure the Commission will
15 find is very far from being the case.

16 67. If desirable improvements in railway effi-
17 ciencies are made and all inappropriate charges deleted
18 from the cost calculations, we do not expect statutory
19 rates to be very far, if at all, out of line with those
20 costs. But we repeat our central point that such
21 calculations are in any case only one factor in considera-
22 tion of the Crow's Nest rate question. Moreover, too
23 much emphasis has been placed on these rates as the
24 reason for the railways' present-day basic difficulties.
25 Solutions to their problems will rest in areas other
26 than those related to statutory grain rates.

27 68. The recommendations of the railways for a
28 subsidy or a tax exemption on behalf of western
29 farmers to make up the difference between their esti-
30 mated costs and revenues in the handling of grain are



1
2 not in our opinion, for the reasons outlined above,
3 soundly based. If such a subsidy were provided it
4 would:

- 5 (a) misrepresent the whole nature and sig-
6 nificance of the Crow's Nest rate arrangement.
- 7 (b) divert attention from the very basic problems
8 of the railways' declining competitive
9 position.
- 10 (c) attribute a subsidy to western farmers which
11 in fact would be paid because of the railways'
12 competitive losses and slow technical im-
13 provements.
- 14 (d) charge to western farmers the railways'
15 losses on passenger services and other
16 unremunerative business.
- 17 (e) add another burden to agriculture in addition
18 to those already suffered from the inequalities
19 of horizontal rate increases on other com-
20 modities.

21 General Freight Rate Increases not a Remedy:

22 69. The Canadian Federation of Agriculture
23 has over the years strongly opposed the successive
24 horizontal rate increases that have been applied at
25 such a rapid rate. Since the war, horizontal rate
26 increase awards have cumulatively amounted to 157 per
27 cent less the reduction made possible at present by the
28 \$20 million federal subsidy. The actual average level
29 of rates has increased very much less, of course, which
30 in itself is a measure of the degree of distortion of



1 the rate structure that must have taken place. It is
2 no wonder that we have felt concern. We have been
3 charged with taking a position that would apparently
4 never admit of the need for a general rate increase.
5 This is hardly so. What we have felt is that there has
6 been, from a point of view of the national interest,
7 far too great a readiness to increase rates -- that
8 such action has tended to be premature; the result has
9 been excessive loss of business by the railways and an
10 increasing distortion of the rate structure as the
11 attempt goes forward to obtain increased revenue from a
12 declining proportion of the traffic. This distortion
13 has been viewed with alarm by others than ourselves and
14 is a principal reason for the appointment of this
15 Commission.
16

17 70. Our view is that at the present time a halt
18 should be called to the granting of general rate in-
19 creases for a period of years. Freight rates are
20 becoming competitive, over a widening area, as witness
21 recent reductions in commodity rates on fresh meats
22 and livestock from western to eastern Canada. It is
23 very much in the national interest, it seems to us, to
24 call a halt to further erosion of railway traffic
25 caused by general rate increases and the creation of
26 added inequities to some users in a less preferred
27 position as regards competition from alternative forms
28 of transportation.

29 71. Further, horizontal freight rate increases
30 would be ineffective in meeting the present needs of



1 the railways. Higher freight rates on non-competitive
2 traffic in order to achieve the impossible is economical-
3 ly unsound and against the national interest. General
4 freight rate increases have been particularly onerous
5 on agriculture.

6
7 72. It has been indicated early in this brief that
8 farmers and their families carried about 40 per cent of
9 the railway freight charges in 1958. Yet from farming
10 operations that year the farmers obtained only 5 per cent
11 of the net national income. Moreover in 1958, the
12 agricultural labour force was only 12½ per cent of the
13 total labour force of Canada.

14 73. These figures illustrate the disproportionate
15 burden which the farm sector of our economy bears from
16 general freight rate increases.

17 74. Reference has also been made to the much grea-
18 ter length of the haul of railway freight consisting of
19 agricultural commodities and of supplies required by
20 farmers for productive purposes. It is on these long
21 hauls that railways experience the least competition and
22 therefore it is to this freight that the full amount of
23 any authorized general freight rate increase would be
24 most likely applied.

25 75. The unfavourable position of the agricultural
26 industry today, because of substantial increases in
27 the cost of goods and services used by farmers and the
28 lower level of agricultural prices and the consequent
29 decline in farmers' net incomes from farming operations,
30 gives further support to our contention that general



1 freight rate increases would be a most inequitable burden
2 on agriculture and are not a remedy for the railways'
3 present difficulties.
4

5 Adaptation of Transportation Policy
6 to the New Environment:

7 76. As on several previous occasions in Canada's
8 history, it appears that a point has now been reached
9 where changes in conditions have been so extensive that
10 transportation policy needs to be adapted again to its
11 new environment. Conditions may now be favourable for
12 making substantial progress in such redirection of policy.

13 77. The new policy must be something more than
14 a stop-gap measure designed to stave off the financial
15 difficulties of the railways for the time being. It
16 would be desirable that it should make a positive
17 and effective contribution to improving the efficiency
18 of the railways, enable them to meet competition better
19 in the future, and to carry out their central role in
20 national policy.
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2 78. Appropriate criteria should be used to guide
3 the selection of new policy measures if they are to promote
4 the desired objectives most effectively. First, trans-
5 portation should continue as an instrument to maintain
6 national unity, to promote and maintain the economic
7 and political development in Canada. Railways will
8 continue to play a major role in this field. Transport
9 policy should continue to ease the heavy transport costs
10 incurred by regions outside the central portions of
11 Ontario and Quebec. Horizontal rate increases that add
12 to the inequities borne by agriculture, and the further
13 erosion of railway traffic should be discouraged. The
14 role of government in developing and assisting the various
15 forms of transportation and so making possible continu-
16 ation of a policy of promotion and assistance in improve-
17 ment of transportation service of all kinds in the national
18 interest, should be taken comprehensively into account.

17 79. A major handicap of the railways is the diffi-
18 culty of abandoning unprofitable and obsolescent services.
19 These services have accumulated more rapidly in recent
20 years as competition has mounted. Private automobiles,
21 buses, and more recently, aircraft have encroached on
22 railway passenger traffic, (see year-end report of
23 N..R. Crump, President, Canadian Pacific Railway,
24 December 28, 1959) as trucks, ships and pipelines have
25 upon railway freight traffic. The risk of abandonment
26 may have become a less serious problem since highways
27 are being increasingly kept open and serviceable for
28 buses and trucks throughout the winter.
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2 80. We are sure the Commission is aware that the
3 whole field of passenger service on main lines and branch
4 lines will need special attention and study. The need
5 is to develop principles for the guidance of policy in
6 this important aspect of transportation, to consider how
7 the national interest can best be protected, how essential
8 national services can be maintained and which services
9 are unessential and should be abandoned by the railways.

10 The Question of Assistance to the Railways

11 81. Quite obviously, in view of what we have said
12 and the development of the freight rate problem, the
13 question arises as to whether financial assistance to the
14 railways is or is not necessary. We would first of all
15 like to make the point that we like the word assistance
16 better than "subsidy" because we think it expresses
17 better the attitude and approach that should be taken to
18 this question. Since they are instruments of national
19 policy, like the airlines, the highway system, the water-
20 ways and so on, the railways may quite well, in appropriate
21 circumstances, be recipients of government financial
22 contributions without these contributions carrying with
23 them any particular stigma such as is sometimes associated
24 with the word "subsidy".

25 82. The fundamental justification for assistance of
26 course is related to the economic and political respon-
27 sibilities of the federal government for assuring that
28 transportation policy properly contributes to Canadian
29 unity and the economic viability and equity of treatment
30 of the various parts and groups within the nation.

83. At the same time, there is of course a presumption



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2 against making such contributions except for good cause.

3 84. We hesitate, with our present knowledge, to
4 state dogmatically whether assistance should be given or
5 not, and if it should be given, on what basis. But we
6 do not reject the very real possibility, and indeed prob-
7 ability, that some such assistance will be necessary. In
8 coming to a decision on this matter, we think the Com-
9 mission should take into account the following:

10 (i) Assistance, if any, should be provided in a
11 form that will most constructively contribute to the
12 improvement of the service that, in the national interest,
13 the railways provide.

14 (ii) The overall financial position of the railways,
15 including rail and non-rail earnings, can legitimately be
16 taken into consideration in determining questions of
17 financial need, as can the question as to whether or
18 not some part of the capital of the railways by which rate
19 of return is measured is overvalued.

20 (iii) The achievement of fullest efficiency and
21 rationalization of operations should be a requirement
22 on which any degree of assistance is conditional and by
23 which the need for it is measured.

24 (iv) The impact of provincial and federal policy
25 and assistance provided in other areas of transportation
26 should be taken into account.

27 (v) Flexibility and adaptability of policy to meet
28 readily the varied economic conditions we may expect in
29 the future should be assured.

30 85. We have, in this connection, some very tenta-
tive suggestions for possible ways of providing assistance,
if such is deemed necessary. They are not put forward



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2 dogmatically but in the hope that they may represent a
3 contribution to thinking on this very difficult problem.

4 Assistance on Costs of the Maintenance of Way

5 86. The main line railway services linking the
6 provinces coast to coast have made possible the mainten-
7 ance of Canada's national unity and to the fulfillment
8 of federal responsibilities. Assistance on the basis
9 of a suitable proportion of the maintenance of way costs
10 (in 1953, maintenance of way and structures cost \$228.6
11 million on all lines. See Lessard, J. C., Schedule 8.
12 Main line maintenance alone might run to \$50 million or
13 more. How much of this would be needed is a question
14 that should receive considerable study,) on these main
15 lines would be similar in nature to the assistance given
16 to highways and other forms of transport.

17 87. The precedent for such a subsidy has already
18 been established in the "bridge" subsidy of \$7 million
19 a year paid by the federal government for maintaining
20 railway lines north of Lake Superior. This form of
21 assistance serves, we believe, to very clearly identify
22 the nature of the basic conditions of great distances and
23 small population that characterize Canada and are at the
24 root of so many of her problems of national policy. It
25 could be simply applied. The federal government would
26 simply pay the railways the proportion of main line
27 maintenance costs that was ruled appropriate. It would
28 be flexible. Depending upon the national interest and
29 the needs of the railways, the assistance would be ad-
30 justed to various levels, running anywhere from a small
part of the main line maintenance costs to all of main line



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2 costs and part of all of essential branch line maintenance
3 costs. In short, this type of assistance could meet a
4 good many of the considerations that should be taken into
5 account in providing assistance.

6 Assistance in Modernization of Railways

7 88. Railways in the United States have made out-
8 standing progress in the adoption of advanced railway
9 techniques in the past ten years and still greater gains
10 are being planned for the years ahead.

11 89. Canadian railways too have adopted many
12 modern railway techniques. They have plans for further
13 progress in this field in future years but, in the main,
14 it is our understanding, they are behind the United
15 States railways. If Canadian railways are to maintain
16 and improve their position in the field of transportation
17 and in Canada's expanding economy, modernization of their
18 freight and passenger services must be stepped up and as
19 rapidly as possible. If our railways were brought up to
20 a peak of efficiency by the elimination of outmoded,
21 obsolete and unprofitable facilities and practices and if
22 these were replaced by new ones which are now available
23 and which are under development, labour productivity
24 would be increased, costs would be reduced, a larger
25 proportion of existing freight and passenger business
26 would be retained, new business would be attracted and
27 their competitive position would be vastly improved.

28 90. Federal government financial assistance as a
29 contribution to the attainment of this objective would,
30 we think, be an acceptable form of assistance to the
railways in the eyes of the government and the Canadian



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2 public.

3 91. We are unable to calculate how much money would
4 be required but it should be sufficient to provide the
5 funds necessary to accomplish the aims of the plan and
6 ensure that no further government assistance would be
7 necessary for several years.

8 92. One feature of such assistance that appeals is
9 that it reduces the pressure to increase railway earnings
10 on the grounds that these are needed to attract capital.
11 We do not feel that the attraction of equity capital
12 should be a determining consideration in assessing the
13 need for railways earnings.

14 Assistance in the Maintenance of Main Line Railway Pass-
15 enger Services

16 93. For many decades main line passenger services
17 have played an important national role in many areas of
18 Canada's development. Their value to the nation in
19 wartime has been incalculable. They have carried count-
20 less settlers to western Canada where they tilled the
21 fertile prairie lands and made a major contribution to
22 a new dominion. They carried harvesters in great
23 numbers for many years to and from the expanding wheat
24 fields of the prairie provinces before farm mechanization
25 reached its present dimensions. They have materially
26 aided in the opening up of new communities and in the
27 development of the natural resources of all the provinces
28 and they have carried hosts of visitors and tourists east
29 and west across Canada. They have aided in a most
30 concrete way in uniting the central and prairie provinces
economically, politically, socially and culturally with



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2 the provinces bordering Atlantic and the Pacific oceans.

3 94. While the airlines, their most important present
4 day competitor for carrying passengers, have taken over
5 some of the functions of the transcontinental railway
6 operations, they cannot by any means, we think, adequately
7 fulfill them all.

8 95. The future of the interprovincial railway
9 passenger operations should, we believe, command the most
10 careful attention of the Commission.

11 96. If the Commission decides - and I would like to
12 emphasize, while we have made these remarks, the whole
13 question of passenger service, whether it exists or not,
14 is not a question of national policy - that a discontinuance
15 or further reductions of these services would not be in
16 the national interest and it can be shown that they are
17 being operated at a loss, assistance from the federal treas-
18 ury to meet these losses would appear to be indicated.

19 97. Similar considerations may well be given to
20 commuter services and perhaps some other passenger
21 operations.

22 CONCLUSION

23 98. May we conclude by again stating our principal
24 contentions as contained in this presentation.

25 (1) Successive general horizontal rate increase awards
26 have resulted in a growing distortion of the rate struc-
27 ture as an attempt has been made to obtain increased
28 revenues from a shrinking proportion of the rate traffic.
29 In this process the burden of the agricultural freight
30 user has been disproportionately great. Also, the
railroads' share of the freight business has declined.



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2 Present national policy should be to avoid further general
3 rate increases while taking all reasonable steps to im-
4 prove railway efficiency, realize fair earnings to the
5 railways companies, and improve in general the ability
6 of the railroads to meet the severe competition with
7 which they are faced.

8 (ii) National policy as well as the welfare of
9 Canadian agriculture dictates that the statutory Crow's
10 Nest grain rates remain at their present level, and with
11 this there is little or no disagreement. But more than
12 this, these rates stand in a special, and in a very real
13 sense contractual, relation to the Canadian economy and
14 to national policy both historically and as a present
15 fact. The railways' proposals which call for a national
16 subsidy to them in the guise of a national subsidy to the
17 western grain grower are made in disregard and denial of
18 this relationship, and therefore must be rejected.

19 (iii) Because they are an instrument of national
20 policy, and not just another business enterprise, the
21 question of the possible need for giving financial assis-
22 tance to the railways, whether the C. N. R. or the
23 C. P. R., is always a valid one deserving of examination.
24 Canadian railroads were started with government aid in
25 the form of cash and land grants. Other forms of trans-
26 portation have enjoyed various forms of government assis-
27 tance and/or direct operation. The question is not one
28 of principle but of policy.. The need for assistance and
29 the basis for assistance should be seriously examined,
30 and the assistance granted if required in light of all
circumstances and if the need is minimized by realizing
the greatest possible progress in increasing productivity
and efficiency in railroad operation.



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2 THE CHAIRMAN: Mr. Cooper?

3 CROSS-EXAMINATION BY MR. COOPER:
4

5 Q. Mr. Kirk, would you please, for the record,
6 give the Commission some further information as to the
7 position of the membership of the Canadian Federation
8 of Agriculture. You have touched on the subject in
9 the first paragraph of your submission, but I would like
you to enlarge on that to some extent.

10 A. Yes. Well, sir, the Canadian Federation
11 of Agriculture is, for the most part, a federation of
12 federations. Its membership is, I think, thirteen,
13 its own members, and this consists of federations of
14 agriculture in the western provinces, British Columbia,
Ontario and the maritime provinces.

15 Now, we have three organizations directly
16 affiliated with us in Quebec; there is no federation of
17 agriculture in Quebec. One of our members is the
18 Cooperative Federée de Quebec, the large wholesale far-
19 mers' co-operative; another is L'Union Catholique des
20 Cultivateurs, the Quebec organization of the French-
21 speaking farmers; the other is the English-speaking
farmers' association.

22 Then we have three national associations: We
23 have the Dairy Farmers of Canada, we have the Canadian
24 Horticultural Council, and we have the United Grain
25 Growers, who operate interprovincially in grain handling.

26 I perhaps shouldn't go into further detail
27 as the structure in each case is different, largely due
28 to historical circumstances actually, and a detailed
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2 description of that would be a fairly lengthy procedure,
3 sir.

4 Q. I consider you could leave it at this,
5 that so far as the provincial federations of agriculture
6 are concerned, those are all affiliated with or are
7 members of the Canadian Federation of Agriculture?

8 A. They are our members, yes, and then within
9 each provincial federation there is an organization of
10 farmer organizations of various sorts, depending on each
11 province.

12 Q. Thank you, Mr. Kirk. Has this submission
13 been submitted to your direct members, that is to the
14 various provincial federations of agriculture in partic-
15 ular?

16 A. Yes. The procedure we have followed in
17 this case is that the matter has been discussed on the
18 broad outline of our position. First of all, the direct-
19 ion was given to us by resolution of our annual meeting,
20 and, second, the quite extensive discussion of the
21 policy questions involved here has taken place with our
22 board of directors. This is prior to the presentation
23 of the detailed brief. Then our first draft of this
24 presentation was submitted, not to the board - we were
25 unable to have a board meeting - but to representatives
26 of our member bodies for this purpose to a national
27 meeting, and there was detailed consideration given to
28 what we are saying in here at that time by these
29 representatives. So that is our position on that.

30 Q. It would perhaps, then, be correct to say
that your submission, the submission you have made this



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2 morning, has been endorsed and authorized by your
3 members?

4 A. I would very confidently state that.

5 Q. I direct your attention to page 2 of the
6 submission, Mr. Kirk, where it is stated:

7 "National policy as well as the welfare of Canadian
8 agriculture dictates that the statutory Crow's Nest
9 grain rates remain at their present level, and
10 with this there is little or no disagreement."

11 Is it contemplated by that statement, Mr. Kirk,
12 that the statutory Crow's Nest rates should remain at
13 their present level indefinitely?
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2 A. Well, indefinitely for as far as we
3 can see into the future, with the conditions under
4 which grain is produced and sold in the world market.
5 "Indefinitely" is a very long time, of course.

6 Q. Well, so far as the Federation can see
7 into the future, at least for that period of time, the
8 Confederation considers that the statutory Crow's Nest
9 grain rates should not be altered; is that the correct
10 way of putting it?

11 A. That is right.

12 Q. Also on page 2 you refer to the railways
13 as being instruments of national policy and not just
14 another business enterprise. That theme is recurrent
15 throughout your submission, Mr. Kirk?

16 A. That is right.

17 Q. The theme of the railways being instru-
18 ments of national policy and not just business enter-
19 prises, or private business enterprises. Could you
20 enlarge on that and indicate to what extent the
21 Federation considers that principles applicable to
22 private business should be allowed to operate in the
23 case of the railways -- and I particularly would like
24 you to direct your attention to the point as to whether
25 or not the railways should be encouraged and permitted
26 to make every effort and, in fact, to earn profits?

27 A. Well, you say, the extent to which they
28 should be permitted: I would put it like this: that
29 they should, of course, be permitted to earn profits,
30 but the level of rates and the nature of the rate



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2 structure under which they attempt to earn profits
3 is certainly a matter for considerations of policy
4 that go beyond the single criterion of ability to
5 earn profits on the part of the railways. Does that
6 answer it?

7 Q. Yes, I think that gets to the considera-
8 tions of the questions that I had in mind. What you
9 are saying, if I understand you correctly, is that
10 fundamentally, the railways should be in a position to
11 earn profits but if rates in any particular field are
12 at such a level as to discourage the industry in
13 that field, then questions of national policy might
14 enter in?

15 A. They might well, yes.

16 Q. And the rates be allowed to remain,
17 or reduced to an unremunerative level for the railways;
18 is that correct?

19 A. Well, they might, of course -- yes, that
20 they might -- the rule might well be made that they be
21 not reduced. When you say "an unremunerative level"
22 this raises a great many questions of what you mean by
23 that, so I would hesitate to give a quick "Yes" or "No."
24 That is part of the issue involved in this whole Crow's
25 Nest question.

26 Q. Assuming the railways could establish
27 that any particular rates are at an unremunerative level,
28 as I understand it, the particular industry or particular
29 producers to which those rates apply might have interests
30 paramount to those of the railways, so that the rates



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2 should not be increased or, in certain circumstances,
3 might perhaps be reduced in the interests of national
4 policy?

5 A. Yes, that is right, with the proviso I
6 made, that it has never been the central criterion of
7 railway rate making in this country that you measure,
8 in the case of each individual rate, the question of its
9 -- what was the word you used? -- the question of
10 whether or not it is remunerative -- as a single rate.

11 Q. In other words, the economic position of
12 any particular industry has not been taken into account
13 historically in the fixing of rates?

14 A. Well, certainly the economic position of
15 the western grain industry has historically been taken
16 into account in the establishment of grain rates.

17 Q. Well, let us say perhaps with that one
18 exception?

19 A. Well, I am not an expert on all the
20 judgments of the Board of Transport Commissioners, but
21 when you say "taken into account", many people take
22 them into account. I think there have been times
23 when the railways took into account the economic position
24 of an industry in setting rates. I think as a general
25 rule the Board of Transport Commissioners, as I have
26 understood it, has taken the position that it is not
27 their job to look after the broad economic position of
28 all industries in establishing rates -- that that has
29 been their position.

30 Q. Would you agree with that position?



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2 A. This has been the position of the Board
3 of Transport Commissioners, and I can see a great deal
4 of point in them arriving at that position, but the
5 position of the Board of Transport Commissioners and
6 the position of a Royal Commission can be quite different
7 things.

8 Q. You say that the railways are instruments
9 of national policy: do you consider other transportation
10 media also instruments of national policy? For example,
11 the trucking industry: would you put that in the same
12 category with the railways, as an instrument of national
13 policy?

14 THE CHAIRMAN: Well, I think we will adjourn
15 while he is thinking of that question.

16 ---Luncheon adjournment.
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1 ---On resuming at 2.00 p.m.

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3 THE CHAIRMAN: Order, please. Very well,
4 Mr. Cooper.

5 MR. COOPER: Thank you, Mr. Chairman.

6 Q. Mr. Kirk, before we adjourned for lunch
7 I had directed your attention to page 2 of the submission
8 where you refer to the railways as being an instrument
9 of national policy, and I had asked you the question,
10 are other transportation media also instruments of
11 national policy, for instance, the trucking industry?

12 A. Yes. Well, I would certainly say that
13 in the case of the trucking industry it has not been an
14 instrument of national policy to the same degree that
15 the railways have, nothing like it. It is under
16 provincial jurisdiction, and nationally our government
17 has given up, has refused even to accept a Supreme
18 Court judgment as to its provincial jurisdiction. It
19 makes it difficult for me to say it is a conscious,
20 deliberate instrument of national policy. Certainly
21 the trucking policy is very relevant to transportation
22 problems.

23 Q. Do you consider that the trucking industry
24 should be under the control of a central regulatory
25 body leaving aside this question of the surrender of
26 jurisdiction for the moment?

27 A. Well, that is a very big question and it
28 is not a question that we have, of course, answered
29 in here. The last annual meeting of our organization
30 passed a resolution in which they -- I should make it



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2 clear they did not say that they thought there should
3 be a comprehensive federal control of trucking but
4 they did in this resolution ask that the government --
5 it was not referred to this Commission -- that the
6 government inquire very carefully into the possibility
7 that the national interest did require perhaps nationali-
8 zation of the railroads and increased federal control
9 of trucking in the interests of the comprehensive
10 nationalization and improvement of transportation
11 policy. This was put in the form of a resolution.

12 COMMISSIONER GOBEIL: Did you say nationali-
13 zation of the railroads?

14 THE WITNESS: Yes. The meeting did not
15 take the position that the railroads should be nationali-
16 zation but they took the position that it is something
17 that should be inquired into very carefully.

18 MR. COOPER: Q. Was that resolution
19 forwarded to the government?

20 A. That is right. It was presented to the
21 government in our annual presentation to the cabinet
22 this spring or late winter.

23 Q. I direct your attention to page 3 of
24 the submission where you say in paragraph 6 that
25 transportation services have had to be adapted on
26 several occasions to enable agriculture to make its
27 greatest contribution to the economy. Would you
28 please illustrate, if you will, by examples, what you
29 had in mind in making that statement?

30 A. Well, I think what we had in mind was



1 that as a matter of national policy the whole building
2 of the railways to start with, the transcontinental
3 system, was dictated to a great extent by agriculture.
4 The Crow's Nest Pass Agreement and the 1925 provision
5 with respect to grain rates are examples. I think
6 in part the Maritime Freight Rates Act is an example
7 of this.

8
9 Q. Although, as you stated this morning, the
10 Maritime Freight Rates Act cannot be exclusively tied
11 in.

12 A. Of course not, that is right. I think
13 that agriculture has figured largely in decisions, not
14 exclusively obviously, but largely in decisions like the
15 \$7 million bridge subsidy.

16 Q. I turn to page 4, and I think you would
17 agree that when you make the statement in paragraph 7
18 that transportation should be subject to public regula-
19 tion and control to ensure that agriculture's interests
20 were protected, you are not implying that public regula-
21 tion and control was instituted solely in the interests
22 of agriculture?

23 A. No, that is rather poorly worded in that
24 respect.

25 Q. I think you would agree that public regu-
26 lation and control was established not only in the
27 interests of agriculture but in the interests of the
28 country as a whole?

29 A. Of course.

30 Q. You referred this morning to the Maritime



1 Freight Rates Act and the statement appearing at the top
2 of page 5: ". . . and a 30 per cent on the outgoing
3 traffic from those areas." You pointed out this morning
4 that the 30 per cent figure was increased from 20 per
5 cent in 1957 and just for the purposes of the record you
6 will agree that the 30 per cent of outgoing traffic
7 applies only to the portion of the haul within the
8 select territory?
9

10 A. Yes

11 Q. Also on page 5, paragraph 11, you mention
12 there the incidence of transportation charges for
13 agricultural products as being on the agricultural
14 producers because of the difficulty or impossibility of
15 passing them on to the consumer or foreign buyer. Would
16 it be correct to say that the incidence of transportation
17 charges then, in fact, be passed on to the domestic con-
18 sumer?

19 A. No, I do not think it would. It is not
20 possible to be completely dogmatic on this question, but
21 our point is that the economic position of agriculture is
22 and has been for a good many years, and promises to be
23 for a good many years more, one where the process of
24 agricultural adjustment is not one of attracting resources
25 into agriculture, it is one of economic attrition against
26 the labour resources. Particularly in agriculture there
27 is a persistent tendency to over-production and forcing
28 out labour, farmers from agriculture, and this adjustment
29 is very painfully and relatively slowly achieved. Now,
30 under these conditions the policy of agriculture to pass



1 on increases of cost on the transportation of its pro-
2 ducts or, on the other hand, to pass on increases in
3 the cost of transportation of goods which it buys for
4 production purposes, is severely limited. We believe
5 this is the point we are making.
6

7 Q. Well, would it be correct to say that
8 the incidence of transportation charges can be passed
9 on in some measure to the domestic consumer but you
10 believe it is very difficult to pass on the whole
11 burden?
12

13 A. That is right. And the period through
14 which the passing on can be achieved is quite a long
15 one.
16

17 Q. On page 6, Mr. Kirk, paragraph 13, you
18 agree to the net income of farm operators and you make
19 a comparison between the years 1949 and 1959. Are
20 there fewer farm operators today or, we will say, in
21 1959, then there were in 1949?
22

23 A. Oh, yes.
24

25 Q. Have you any figures on that?
26

27 A. Oh, yes, there is almost a third less
28 operators than there were.
29

30 Q. So, although the net income is less in
1959 there are fewer people receiving that income?
26

27 A. That is quite right, yes. The drop
28 in net income per farm operator is something like 6
29 per cent, but it has been a drop in the real income.
30

Q. The real income drop, then, for the
individual farm operator is of the order of 6 per cent



1
2 as between 1949 and 1959?

3 A. That is right. Of course, we think the
4 significant figure is probably closer to 35 per cent
5 than to 6 per cent.

6 Q. Why do you think that?

7 A. Because perhaps some place in between,
8 remember that this drop in income has been accompanied
9 by a tremendous increased investment on the part of
10 farmers. I do not have the figures here, but there
11 has been a much larger investment per capita in lands
12 and capital which presumably would, as I think many
13 people would agree, under ordinary circumstances a
14 person expects to make some earnings on their capital
15 and so some place between the 35 per cent and the 6
16 per cent -- I do not know -- the point is the farmers are
17 much worse off; other people's income has been going
18 up in the same period.

19 THE CHAIRMAN: That is where the cost
20 squeeze comes in?

21 THE WITNESS: Yes.

22 MR. COOPER: Q. You mentioned the figure
23 of 6 per cent. What is the source of that percentage
24 figure?

25 A. The 6 per cent drop?

26 Q. Yes.

27 A. It is not a direct source. The income
28 and the number of farmers is taken from the labour force
29 survey that is used and the net income from the
30 Dominion Bureau of Statistics figures on net farm



1 income.

2 Q. I refer next to page 8 of the submission
3 where you state that horizontal increases in freight
4 rates tend to be applied more fully to the long-haul
5 traffic because there is less competition from motor
6 trucks as carriers of these commodities and this fact
7 operates to the disadvantage of farmers. I might
8 perhaps have something to say a little later on about
9 this general question of horizontal increases, but it
10 is true, I think, to say that the farmer recently has
11 received a benefit, not only of truck competition forces
12 but also of lower rates as competitive rates or agreed
13 charges, perhaps, as a result of these truck competitive
14 forces?

15 A. In particular cases, you mean?

16 Q. Yes.

17 A. Yes.

18 Q. Certainly in meat and livestock coming
19 from the west to central Canada. Would it be true to
20 say then that the impact of horizontal increases is
21 less now on the farmer than it was, let us say, five
22 years ago, and is becoming increasingly less?

23 A. Yes, I think that looked at overall there
24 is a trend that way. We have stated ourselves here
25 that we think this livestock you mentioned is a sig-
26 nificant development.
27
28
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30



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2 Q. On page 9, in paragraph 21, you mention
3 that there are indications that up to now the rate at
4 which the railways have succeeded in realizing desirable
5 improvements in productivity and efficiency could have
6 been greater; and this matter of improvements in
7 productivity and efficiency is also related to other
8 matters throughout the submission.

9 What are the indications that you have in
10 mind in making that statement?

11 A. Well, the principal evidence we have --
12 I am afraid we didn't have detailed documentation on
13 the proposition -- the principal evidence we have is
14 the statement contained in the study of transportation
15 -- the study by the Royal Commission on Canada's
16 Economic Prospects, in which they indicated that they
17 felt this was true; and this was the result, we thought,
18 probably, of considerable investigation and knowledge
19 of the situation.

20 Q. Well, in making that statement you use
21 the phrase "up to now". Do you consider that trend
22 is now arrested and that the railways are now
23 succeeding in realizing desirable improvements in
24 productivity and efficiency?

25 A. Well, I don't know. The reason we
26 used "up to now" is that we feel that "up to now" is
27 the historical basis and that the question is what
28 will happen in the future.

29 Q. Having regard, perhaps, to up to the
30 time the Gordon Commission made its finding?



1
2 A. Perhaps so, yes.

3 Q. On page 10, and generally in paragraphs
4 26 and 27, you refer to the costs of operating some
5 branch lines as not being met by the revenue on these
6 lines. That raises, generally, Mr. Kirk, the ques-
7 tion of abandonments of branch lines; and I should
8 like you to assist the Commission, if you can, in
9 telling the Commission whether or not the present
10 procedure for abandonment of branch lines should
11 be changed in any way, and, if so, in what way?

12 I suggest to you, as a more specific question:
13 Should the railways be able to abandon branch lines if
14 they can establish that they are losing money on those
15 branch lines without more, or do elements of public
16 interest come in, and, if so, to what extent?

17 A. Well, we do think, first of all, that
18 elements of public interest do come in.

19 Our position on that is that we recognize
20 that the question of branch line abandonment is a
21 very valid question, and that no doubt there are cases
22 where these lines should be abandoned in the interests
23 of avoiding unnecessary costs to the railways. We
24 think, though, that the procedure of deciding whether
25 or not the abandonment will be permitted with any
26 particular line should take into account the importance
27 of that particular line to the users, the adequacy of
28 alternative services and the economic consequences to
29 the people affected. I think it becomes essentially
30 a matter of public policy. But, at the same time, we



1
2 do think there is a field for abandonment and for
3 savings here.

4 To get down to more detailed criteria than
5 that - I don't think that I am sufficiently knowledge-
6 able on the subject to do that.

7 Q. Would you be able to assist the Commission
8 in stating whether, in your opinion, sufficient notice
9 is given to interested parties at the present time when
10 the railways apply for abandonment of a branch line?

11 A. I think I will just have to frankly claim
12 ignorance on the details of the procedure, sufficiently
13 to comment on that. We were enunciating what we
14 think is the principle of interest here and we were
15 not particularly raising an implied criticism of pro-
16 cedure. It is the principle solely that we were
17 dealing with.

18 Q. Well, you will understand the purpose of
19 my questions in these matters is that this Commission
20 may have to wrestle with this problem of abandonment of
21 branch lines, and if the Commission can get any assis-
22 tance from you in the way of specific suggestions as
23 to improvements in present procedure, or any studies
24 that the Federation may have on this subject, I am sure
25 the Commission would be very glad to have them; but as I
26 understand your answer it is that you can go no further
27 than state the general consideration which you believe
28 should be taken into account?

29 A. Yes, I am afraid that is true. We would
30 like very much to give some help, but I am not in a



1 position to do so.

2
3 Q. You also mention in paragraph 28 that
4 the Turgeon Commission in 1951 recommended more joint
5 action should be taken by the two railways to achieve
6 operating economies, and that suggestion might well be
7 given further studies by this Commission.

8 Can you go any further than that statement
9 and suggest any positive measure which the Commission
10 might consider with respect to this matter?

11 A. No; there, again, I am afraid I can't.
12 In a case like that -- and I think you will find, per-
13 haps, in some other cases -- unfortunately we aren't
14 able to come here in the position of experts in these
15 matters with full knowledge of the details of the
16 problem. But I think it is true in this case
17 that we are expressing our point that the suggestion
18 should be given further study by the Commission.

19 I think we are correct in that statement. we are
20 reflecting a very widespread view held in the country
21 that there is a field here that has been mentioned by
22 Commissions, and our point is that this is something
23 which we feel shouldn't be left up in the air; and in
24 our mind, on railway policy, we feel that one job
25 of the Commission should be to satisfy itself about
26 this question.

27 Q. On page 13 you mention, at the bottom
28 of paragraph 34, the entry of the railways into the
29 trucking business. What view, if any, has the Federa-
30 tion got as to the desirability or otherwise of the



1
2 railways entering into the trucking business?

3 A. We have, as an organization, not given
4 this consideration as a matter of policy -- this par-
5 ticular question. I could say, though, that I have
6 not heard within our organization or among our members
7 that this was a wrong thing in principle; it has not
8 been raised, to my knowledge. I have no objection
9 to the participation of the railways in this particular
10 business.

11 Q. You are not prepared, then, to state
12 whether you consider -- and when I say "you" I mean
13 the Federation -- that the entry of the railways into
14 the trucking business is good or bad in principle?

15 A. Except to this extent, that, as you know,
16 one of our positions is that the overall position of
17 the railways, as a business engaged in many enter-
18 prises, is relevant to the question of railway earnings
19 and level of freight rates, and to the extent that
20 the railways can improve their earning position, I
21 think this is true. If they find that it is valuable
22 or is making for better utilization of their railway
23 services to get into the trucking business I think we
24 would rather view this with favour on the whole
25 unless there was evidence that problems of monopoliza-
26 tion are arising, which is not particularly the problem
27 facing transportation at the moment.

28 Q. But your view is, then, that if the
29 railways can integrate trucking operations into railway
30 operations and make some money out of trucking, then,



1
2 why, their entry into the trucking business would seem
3 to be a good thing?

4 A. That is right; I have no objection to
5 that. But there are questions of principle and policy
6 involved here, which, as an organization, we have not
7 considered.

8 COMMISSIONER GOBEIL: You suggest it somewhere
9 else in the brief, don't you?

10 MR. SINCLAIR: I think I know what you have
11 in mind. That is only limited to piggybacking; but
12 this is a question of trucking per se, that Mr.
13 Cooper is putting to the witness.

14 MR. COOPER: Q. You mentioned in your
15 answer to the last two questions, I believe, other
16 income of the railways. As you know, one of the terms
17 of reference of this Commission is whether, and to what
18 extent, the Railway Act should specify what assets and
19 earnings of railway companies in businesses other than
20 railways should be taken into account in establishing
21 freight rates.

22 What is the view of the Federation on that
23 point? You refer to it in the submission, but I am
24 not entirely clear from reading the submission what the
25 view of the Federation is?

26 A. Well, our position is simply that we
27 think that the question of the railways -- looking at
28 the question of the success achieved by the railways in
29 making earnings -- looking at that question in relation
30 to the question of equities to the railways -- that, in



1
2 so far as the consideration is that the railways have a
3 legitimate interest in making earnings on their invest-
4 ment and so on, the entire position of the railways must
5 be taken into account in arriving at such judgments.

6 Q. Is it your position, then, that the whole
7 of the railway enterprise should be looked at and
8 freight rates fixed with regard to the income of the
9 railways from all sources -- railway operations and
10 non-railway operations?

11 A. Yes; freight rates fixed with regard to
12 them, yes, among all the other things to which regard
13 must be had.

14 Q. That would be whether, in certain other
15 fields, the railways were suffering losses or not --
16 whether they were suffering a loss or making a profit
17 the whole picture would be looked at?

18 A. Yes, I think the whole picture must be
19 looked at in arriving at transportation policy.

20 Q. The difficulty I have -- and I am not
21 attempting to cross-examine you on this point at all --
22 the difficulty I have in a question like that is that
23 in one part of the submission it is said that passenger
24 deficit should not be charged against freight rates?

25 A. That is right.

26
27 (Page 10164 follows)
28
29
30



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2 Q. And, on the other hand, in the answer to the
3 question you have just given it would appear that all
4 operations of the railways, non-rail as well as rail,
5 should be taken in and have an influence on freight rates.

6 A. Well, I think that - I don't myself see
7 any difficulty here. Our point about the railway
8 deficits, of course, is made particularly in relation
9 to the claim that on the railways' business the earnings
10 are extremely inadequate; it is in that particular context
11 particularly that we are making the statements. But
12 our point is in this brief that the railway passenger
13 services - if there are deficits and it is considered as
14 a matter of policy that these services should be continued
15 in the national and in the public interest, then assist-
16 ance should be given to meet these deficits, in which
17 case, of course, there wouldn't be a deficit from the
18 point of view of the earnings position of the railways.

19 Q. Would it follow from that that if the
20 railways were engaged in any operation which was considered
21 to be in the public interest and were incurring losses in
22 that operation, then assistance should be given from the
23 public treasury? Is that the position of the Federation?

24 A. No, I think it is quite evidently not the
25 position. It is not the position in connection with the
26 grain rates.

27 Q. I was just coming to that. Assuming
28 that the railways established that the grain to export
29 positions was being carried at a loss, why should not
30 assistance be given with respect to that situation as
well as with respect to the passenger deficits?



1
2 A. Well, in the case of the passenger deficits,
3 for example, it seems to us that the difficulties with
4 respect to the railways carrying passengers has arisen
5 out of the development of very adequate alternative
6 passenger services in trains and buses and private
7 motor cars. Now, this is one situation, obviously,
8 that - the position is that the difficulty is caused by
9 the existence of satisfactory, presumably satisfactory,
10 alternatives because everybody travels that way. Now,
11 in the case of grain rates this is quite a different
12 situation, obviously, it is not the position at all.
13 The position that we are taking with the grain rates is
14 that, unlike the case of passenger service, the question
15 of assistance, the suggestion of giving assistance which
16 is identified as assistance to grain grower or grain rates
17 cannot be looked at in this limited sense because it
18 doesn't - it is the wrong perspective, it doesn't compre-
19 hensively take into account the position of the grain
20 industry in the nation, its historical position. Now,
21 in the case of passenger service, I don't see that this
22 question occurs. It is a simple question of whether
23 you are, in the public interest, going to continue some
24 service for a limited number of passengers, the rest of
25 whom take other forms of transport. I think they are
26 quite different.

27 Q. I think your view is exactly the converse
28 of the view taken by the railways, who say that we can do
29 nothing about the grain rates, they are statutory, and
30 therefore since we can do nothing about them we should be
compensated about our position there; we can do something



1
2 about passenger deficits and we are not asking for any-
3 thing in respect of passenger deficits. What I under-
4 stand your position to be is that you are taking the
5 exact converse.

6 A. I don't know about the exact converse.
7 That is the position, I agree.

8 Q. I wanted to raise with you, Mr. Kirk,
9 the question of horizontal increases. You have made
10 the point in several places in the submission that hori-
11 zontal increases and general increases in the level of
12 freight rates are not an answer to anything at the
13 present time.

14 A. We rather suspect this.

15 Q. That is correct, is it?

16 A. Yes.

17 Q. Assuming that the expenses of the railways
18 are rising and will continue to rise, can you suggest any
19 alternative source of revenue to the railways other
20 than general increases in freight rates, other than
21 horizontal percentage increases?

22 A. Well, we have suggested that - you mean
23 in gross revenue, do you?

24 Q. In gross revenues?

25 A. Well, an increase in business, we would
26 hope. As the country grows and as the rates stay at
27 reasonable levels, we would hope that business would
28 increase, and I have no other specific ideas for revenue
29 sources.

30 Q. Well, we have already touched upon the
question of subsidy or government assistance?



1
2 A. Well, yes, if you meant it that broadly.

3 Q. I don't mean it in any way; I was just

4 --

5 A. I was thinking in terms of commercial
6 revenue. I was interpreting your question that way.

7 Q. Well, I think that is a fair interpretation
8 of the question. The only suggestion you have is that
9 one can rely upon an increase of railway business?

10 A. Yes; it is in business. I don't have
11 any particular ideas of where they might get large incre-
ments of revenue.

12 THE CHAIRMAN: You have no alternative methods.

13 THE WITNESS: No.

14 MR. COOPER: Q. There have been alternatives
15 suggested, such as maximum pull-downs, and that type of
16 thing. But you have given no consideration to any
17 alternative method of raising revenue for the railways
18 by increase in rates than the method of horizontal
increases?

19 A. No, I have not.

20 Q. You do suggest in the submission that there
21 should be no general increases for a number of years, and the
22 statement to which I have reference appears in paragraph
23 70 of your submission;

24 "Our view is that at the present time a halt should
25 be called to the granting of general rate increases
26 for a period of years."

27 A. That is right.

28 Q. Now, have you come to any conclusion as
29 to how many years you would call a halt to the granting of
30



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2 general rate increases?

3 A. Well, our thought in a general way was
4 a sufficient number of years so that whatever basic
5 principles of policy and recommendations are followed
6 from this Commission, these should be given a chance to
7 work out. The number of years should be given a chance
8 for that consideration and also in the general trend of
9 conditions in the economy. If you have a violent
10 inflationary upsurge, this would be a different position
11 than if you didn't have any inflationary tendency for a
12 number of years.

13 Q. Assuming that the railways' expenses
14 increase materially over the next few years and they
15 must have additional money from those who use their
16 services to keep in business, have you any suggestions
17 as to how that money can be raised other than by a general
18 rate increase. Now, that may be the same question I
19 asked you a short time ago in another form, but can you
20 give any answer to it?

21 A. No, I don't have any answer to that. Mind
22 you, I think we have dealt in our brief with some of the
23 implications of this position we have taken.

24 Q. You have mentioned throughout the brief
25 at various points a subsidy or subsidies, or I think you
26 prefer the term "assistance", and I think the Federation
27 has gone clearly on record in the submission as being opposed
28 to any subsidy or assistance tied in with the movement of
29 grain and grain products to export positions?

30 A. That is right.

Q. Would you have any objection to a subsidy
or assistance being given with respect to all



1
2 unremunerative services, including grain?

3 A. Well, yes ---

4 Q. You said that grain must not be the sole
5 thing with respect to which a subsidy is given. If
6 it was one of the segments of traffic for which subsidy
7 or assistance should be given, what would you say?

8 A. I see. No, I don't think we would
9 approve of that either, because we think that the
10 attribution of a subsidy to the grain producers in the
11 way it has been suggested is a wrong principle.

12 Q. So it can't be tied in in any way, either
13 directly or indirectly, to grain?

14 A. No. If you do the same thing to somebody
15 else it doesn't change the situation, as far as we are
16 concerned.

17 Q. Do you think that the question of the
18 cost of moving a commodity such as grain - and I will
19 make the question specific - do you think that the cost
20 of moving grain to export positions in western Canada
21 should be given any consideration at all by the
22 Commission in deciding what, if anything, should be done
23 with respect to the Crow's Nest rates?

24 A. Well, yes, sir, I think that it would be
25 quite impossible to take a sort of an absolute position,
26 that the cost of hauling grain had no relevance whatever
27 at any time anywhere to the rate charged for hauling
28 grain. This is not our position.

29 Q. So it has some relevance to the present
30 statutory rates, or should have?

A. Yes, in principle. Yes, in principle there



1
2 is some relevance, but our position is that there are
3 so many reasons for it, and good ones, why these rates
4 should stay where they are and why there is an obligation
5 for them staying where they are without any subsidy
6 being given, and a good many of your questions rather
7 have the indication that the rates are unremunerative.

8 Q. I just want to make it clear, if I haven't
9 already done so, that I am assuming that the rates are
10 unremunerative, but I am not suggesting that they
11 necessarily are.

12 A. I see.

13 Q. Assuming that the rates are unremunerative,
14 then would that be a factor, would that have any relevance,
15 in your view, to the present statutory Crow's Nest rates?

16 A. Well, of course, cost has relevance,
17 obviously, to freight rates. I mean, I think this
18 is true. I think that the cost of any one freight rate
19 doesn't carry rigidly and a necessary conclusion for
20 what the level of that rate should be.

21 Q. I understand from what you are saying that
22 in principle cost has some relevance, but for historical
23 reasons and for what I think you would say contractual
24 reasons, no matter what the cost study would reveal, the
25 Crow's Nest rates should not, in the view of the
26 Federation, be altered, is that right?

27 A. That is right.

28 MR. COOPER: That is all. Thank you,
29 Mr. Kirk.
30



CROSS-EXAMINATION BY MR. HUME:

Q. Mr. Kirk, I just have one point I would like to clarify, more than anything else. My name is F. R. Hume, and I represent Canadian Trucking Associations.

A. Yes.

Q. On page 13 you are comparing provincial control with federal control of railways, and the first complete sentence reads:

"Provincial control of the trucking industry is loose relative to federal control of the railways..."
Are you speaking there of rate regulation, or control of entry, or, what kind of controls are you talking about?

A. I think we were thinking principally in terms of rate making and the establishment of services, and the removal of services.

Q. Rate making and the establishment of services?

A. Principally, yes.

MR. HUME: Thank you very much.

CROSS-EXAMINATION BY MR. McDONALD:

Q. Mr. Kirk, my name is McDonald and I represent Canadian National Railways. There are a few questions I would like to ask you by way of further explanation of your submissions.

On page 2 of your submission, at the top, you say:

"In this process the burden of the agricultural freight user has been disproportionately great."



1
2 When you were making that statement, did you take into
3 consideration the Crow's Nest rates on grain and flour
4 in western Canada?

5 A. Did we take that into consideration?

6 Q. Yes.

7 A. Well, the statement would be true if we
8 did or if we did not, because they are quite proper rates
9 -- the Crow's Nest rates.

10 Q. And has the burden been disproportionately
11 great in respect to the grain in western Canada --
12 speaking of the burden on the farmer?

13 A. We are talking about horizontal rate
14 increases here, and they have not been applicable to grain:
15 So, in that sense, we were not considering them.

16 Q. Then, on page 2, the second paragraph on
17 that page, you are talking about the Crow's Nest rates
18 on grain:

19 "But more than this these rates stand in a special,
20 and in a very real sense contractual, relation to
21 the Canadian economy...."

22 You are familiar with the Crow's Nest agreement, no doubt
23 -- you have read it?

24 A. Yes.

25 Q. And that was an agreement between the
26 Canadian Pacific railway and the government of Canada?

27 A. That is right.

28 Q. And when you are speaking of "railways",
29 as you have done all the way through, you understand
30 there is no contractual relationship as far as Canadian
National Railway Company is concerned?

A. Well, except to this extent, I think, that



1
2 in the 1925 amendments ---

3 Q. Well, that is the statute. I am
4 speaking of the contract.

5 A. I quite agree that the C. N. R. was not
6 a party to the original agreement; I quite agree with that,
7 yes.

8 Q. Then on page 6, paragraph 16, you state
9 that 28 per cent of the total Canadian railway revenue
10 is earned from carlot shipments of agricultural products,
11 animal products and food products, and so on; would this
12 28 per cent include the Crow's Nest grain?

13 A. Yes, I believe that includes the Crow's
14 Nest grain, yes.

15 Q. Then, on page 7 paragraphs 17 and 18,
16 you claim that farmers pay 40 per cent of the total
17 revenues -- that is freight revenues: Did you take in
18 there processed animal products such as dressed meat
19 moving from packinghouse to market? Do you claim the
20 farmers pay for those?

21 A. Yes, I believe those costs are included too.

22 Q. But is it a fact that the farmers do pay
23 the freight rates on, say, dressed meat moving from the
24 packinghouse to the market? Isn't it the consumer that
25 pays those?

26 A. Well, in an accounting sense, of course,
27 it depends on whether the product is sold basis the
28 packing plant or what; but, I think I attempted to
29 explain earlier, we are talking in the economic sense
30 under the conditions under which agriculture is operating,
that these costs get passed back in the form of lower



1
2 agricultural prices. They tend very strongly to do
3 that all along the line.

4 Q. What you mean to say is that the farmer
5 gets a lower price having in view the freight rates that
6 have to be paid from, say, Calgary to Toronto, or
7 something like that?

8 A. That is right.

9 Q. Whereas the consumer in Toronto says he
10 pays a higher price by reason of paying the freight rates?

11 A. I believe some do, yes.

12 Q. Then, on page 14, paragraph 35, in the
13 middle of that paragraph you say:

14 "The maritimes and the prairies, particularly their
15 farmers, have borne the brunt of the inequities
16 imposed by these increases."

17 Is that true, Mr. Kirk, when you consider that the prairies
18 have the benefit of the Crow's Nest rates to which no
19 increases have been applied?

20 A. Well, as I said before I think it is
21 perfectly true even taking into consideration Crow's
22 Nest, because the Crow's Nest rates are a very proper
23 and not an excessively low rate in any sense of the word.

24 Q. Yes, but this is "bearing the brunt of the
25 inequities": Other people say the inequities in these
26 increases were specifically caused by the statutory rates
27 on grain and flour?

28 A. Well, we don't think that is a proper
29 view of the question.

30 Q. Then, in the maritimes you speak of the
farmers bearing the brunt: What about the Maritime
Freight Rates Act where they are shipping outside the



1
2 maritimes, and there is a 30 per cent reduction?

3 A. Well, that has certainly helped, yes.

4 Q. Page 16, paragraph 43 -- and I think
5 my friend Mr. Cooper touched on this -- you were speaking
6 then about the report -- that your basis for that was
7 the report of the Gordon Commission on Canada's Economic
8 Prospects?

9 A. That is right.

10 Q. And that report was made in 1957 on
11 evidence which was probably submitted in 1956, and are
12 you aware of the technological improvements, the great
13 advances, that have taken place on the railways in
14 Canada since that date?

15 A. I certainly am aware that a good deal
16 has been done, yes.

17 Q. So that statement may not be true in the
18 light of today's conditions?

19 A. I suppose it might not. I am not in
20 the position of an expert on this.

21 Q. Then, on page 18, the paragraph at the top
22 of the page where you say:

23 "United States railways are presently losing part
24 of their grain traffic to trucks because their
25 rates were already too high."

26 Are you aware of the fact that the rates on grain in the
27 United States are about three times the statutory rates
28 in Canada?

29 A. Yes; we were not implying any comparison
30 in conditions on grain traffic between the two countries.

Q. Then, page 26, paragraph 68, in dealing



1
2 with the cost of handling grain by the railways, are
3 you aware of the fact that in preparing the cost the
4 railways did not charge grain with any part of the pass-
5 enger deficit?

6 THE CHAIRMAN: That is in the study, you mean?

7 MR. McDONALD: Yes, in the study.

8 THE WITNESS: That the railways did not
9 charge the grain with any part of the passenger deficit?

10 MR. McDONALD: Q. Yes.

11 THE CHAIRMAN: Mr. Kirk is probably not familiar
12 with the terms of the study.

13 MR. McDONALD: Q. There is a statement in
14 here:

15 "If such a subsidy were provided it would charge to
16 western farmers the railways' losses on passenger
17 services and other unremunerative business."

18 I just asked if you knew that in ascertaining the cost
19 of moving the grain, the railways did not charge it
20 with any part of the passenger deficit?

21 A. But neither, as I understand it --
22 and I am not an expert on this, but I rather thought
23 that no passenger deficit was calculated in these at all
24 -- in these calculations for purposes of this.

25 Q. It was excluded.

26 A. It wasn't deducted from the costs of
27 which grain had a share either.

28 Q. Oh, yes, it was deducted first. That
29 is what I wanted to point out to you. You can check
30 that -- that that cost was deducted before ascertaining
the cost of moving the grain. I just wanted to point



1
2 that out to you. I understand you may not be familiar
3 with it.

4 Then, on page 33, paragraph 89, you state there
5 at the bottom of the paragraph:

6 "If Canadian railways are to maintain and improve their
7 position in the field of transportation and in
8 Canada's expanding economy, modernization of their
9 freight and passenger services must be stepped
up and as rapidly as possible."

10 What is the basis of that? What modernization do you
11 suggest, more than has been done up to date?

12 A. Well, I mean, this statement is taken
13 in context with this section which suggests that if there
14 is a need for assistance to the railways, that the
15 provision of capital -- I understand that the railways
16 do feel that to do the job of modernization they wish
17 to do that they need capital, and we are suggesting that
18 the provision of capital, that we think this should not
19 be held up through lack of capital, and this may be
one good way of providing railway assistance.

20 Q. But that would be a proper field for
21 assistance - of providing capital for modernization?

22 A. Yes, it rather strikes us. The assistance
23 could be in the form of low interest rates, or outright
in the form of capital amounts.

24 MR. McDONALD: That is all, thank you very
25 much.

26
27 ---A short recess.

28 (Page 10181 follows)
29
30



1 THE CHAIRMAN: Order, please. Have
2 you finished, Mr. McDonald?

3 MR. McDONALD: Perhaps one question, Mr.
4 Chairman.

5 Q. You had some statement of horizontal
6 percentage increase, Mr. Kirk, but you have not given
7 any suggestion as to how the revenues can be increased
8 other than by horizontal percentage increases. I just
9 wished to ask if you realize that the horizontal per-
10 centage increase, these long distance rates are tapered
11 so when you apply the increase the man at the far end,
12 the long-distance shipper, only pays about half the
13 increase. Do you realize that?

14 A. You mean per mile, or something like
15 that?

16 Q. Yes, on the basis of per ton, or
17 whatever it is that the rate of taper ---

18 A. Yes, I realize there is a rate of taper
19 there.

20 Q. So your percentage goes down on the long
21 haul. Thank you.

22
23 CROSS-EXAMINATION BY MR. SINCLAIR:

24 Q. Mr. Kirk, I think possibly before I ask
25 you a number of questions it would be of assistance to
26 put on the record your personal background. Are you
27 an economist, Mr. Kirk?

28 A. I am a Bachelor of Arts graduate with
29 an economic specialty.

30 Q. Are you a transportation economist, a



1
2 specialist in transportation economics?

3 A. No, sir.

4 Q. Are you a specialist in business organiza-
5 tion?

6 A. No, sir.

7 Q. As a matter of fact, Mr. Kirk, you have
8 had a general primary economic training?

9 A. That is right.

10 Q And have you ever had any direct respon-
11 sibility for running a business?

12 A. No, sir.

13 Q. I am including a farm in the word "busi-
14 ness"?

15 A. No, sir, I have not.

16 Q. You have never run a farm?

17 A. No, sir.

18 Q. And have you had any direct responsibility
19 of management of someone else's money?

20 A. No, sir.

21 Q. Now, Mr. Kirk, you mentioned to my
22 friend Mr. Cooper that your brief -- you agreed this
23 language was endorsed and authorized by the members of
24 your Federation; is that correct?

25 A. Yes, sir.

26 Q. And you I think said that there were
27 thirteen members; that is correct?

28 A. Right.

29 Q. Now, what members -- I think you went
30 on to say to my friend that some of the members



1
2 specifically met to deal with your submission. Now
3 what members specifically approved the text of your
4 submission as it is written here and as you presented
5 it to this Commission? Would you please put those on
6 the record?

7 A. Yes, our Federations of Agriculture,
8 our members in the Province of Alberta, Saskatchewan,
9 Ontario, the Maritime Provinces and Quebec were repre-
10 sented.

11 Q. And those are the people of your member-
12 ship who specifically approved this text that you have
13 submitted here?

14 A. Yes.

15 Q. And no others?

16 A. No -- as individuals present at that
17 meeting, that is what we are talking about, I guess.

18 Q. The other members merely had some dis-
19 cussions with you through their executives and they
20 agreed to your general approach to the problem, I think
21 is a fair way of summarizing it. Would that be right?

22 A. Yes, I think the basis of our policy is
23 very well understood in our own organization, sir.

24 Q. Well, now, for instance, the United Grain
25 Growers is one of your members, is it not?

26 A. Yes, sir.

27 Q. And I was wondering if the United Grain
28 Growers specifically approved the text of this submission
29 and I gather from your answer that they have not?

30 A. No, although I will say, since you raised



1
2 that particular organization in question that the
3 draft -- now, this, of course, is not word for word
4 what the draft said, otherwise nothing would have been
5 done by the meeting -- but the draft which is essen-
6 tially the policy positions which we take here were in
7 the draft or subm tted to the United Grain Growers and
8 our indications from them were that in a general way
9 they had no quarrel, and, in fact, rather approved of
10 this brief, but they were not at this organization
11 meeting.

12 Q. And you sent a copy to the United Grain
13 Growers since you finished it, and they have not
14 objected on behalf of their organization to anything
15 stated in your brief; would that be correct?

16 A. I am not sure that the reports after our
17 meeting, that a copy did go to the United Grain Growers.

18 Q. You have not sent a copy to your thir-
19 teen members, would that be right? Would you like
20 to check your file and if you have not sent them please
21 advise the Commission, and if you have, which I think
22 would be normal business practice, if they have been
23 one of your big members, we would take it you have sent
24 it to them, and if you have not please advise the
25 secretary?

26 A. Yes, I can check whether they have
27 actually gone out.

28 Q. And you might also check and please
29 advise the secretary if they raised any objection, and
30 if so what the objection was. Would you do that?



1
2 A. Yes, sir.

3 Q. Now, just one other matter of general
4 interest. This is not in your brief, and that is why
5 I am going to deal with it first. You said at one
6 of your meetings that you passed a resolution which
7 has been submitted to the government that the government
8 should consider giving careful consideration, I think
9 were your words -- careful consideration to the question
10 of nationalization of railways and centralized control
11 of trucking. Would my note be about right?

12 A. Yes, national regulation of trucking,
13 yes, something like that.

14 Q. Through centralized control?

15 A. Well, I think this would not -- it was
16 not the intent of the resolution, and I do not think
17 the wording was -- I am sorry I do not have the wording
18 here -- of trucking whether local or within cities
19 but interprovincial trucking, trucking within the
20 authority of the federal jurisdiction.

21 Q. But not intra-trucking?

22 A. No, I would think not.

23 Q. You think not, do you not know not?

24 A. No, not intra-provincial.

25 Q. In other words, you leave intra-provincial
26 trucking outside of any control; is that the view of
27 your Association?

28 A. That is right. Well, their view was not
29 that they should leave it out of control or not. The
30 view was that investigation should be made, that the



1
2 inquiry should be made into provincial national regula-
3 tion.

4 Q. And would it also envisage the nationali-
5 zation of interprovincial trucking then?

6 A. Yes, of course I should think that would
7 be in the picture of a comprehensive inquiry like this.

8 Q. Now, Mr. Kirk, you have stated in a number
9 of places, and it is one of the themes of your organiza-
10 tion, the close interdependence of railways and agri-
11 culture. Correct?

12 A. Yes.

13 Q. And would your Association also say
14 close consideration should be given to the nationaliza-
15 tion of farms in Canada for the benefit of the general
16 public?

17 A. No.

18 Q. You would not want to have that close
19 association and interdependence of agriculture and rail-
20 ways carried on right through the study that you sug-
21 gested?

22 A. It is not a question of what I want or do
23 not want. In this connection it is the question of
24 what resolutions were brought to our annual meeting and
25 passed by it, and this, of course, did not suggest
26 nationalization of the land.

27 Q. Would your organization object to includ-
28 ing in this study of nationalization the question of
29 nationalization of farms?

30 A. I don't know. I rather think that the



1
2 opinion of our organization, first of all, would be that
3 they do not anticipate that the nationalization of farms
4 should be or will be an issue in this country.

5 Q. I said would they have any objection to
6 having that study?

7 A. I don't know whether they would have
8 any objection to such a study or not.

9 Q. Well, in view of your close association
10 with the farm movement would you express a personal
11 opinion to the Commission as to whether you would have
12 any objection to a study being made into the nationaliza-
13 tion of farms?

14 A. A personal opinion?

15 Q. You have not a personal opinion?

16 A. I do not have a personal opinion about
17 that.

18 Q. Let me ask one further question on this:
19 banking services in Canada are essential to the farming
20 and agricultural community?

21 A. Indeed they are.

22 Q. Do you think the question of nationaliza-
23 tion of banking institutions in Canada should be con-
24 sidered?

25 A. Well, I think my answer there again is
26 that this did not come up as an issue in our membership
27 in recent times, anyway, to my knowledge. I mean,
28 within the period that I have knowledge of the affairs
29 of the organization.

30 Q. But they are essential?



1
2 A. Banking services?

3 Q. Yes.

4 A. They are essential.

5 Q. There are duplications in hundreds of
6 towns across Canada of banking services, even in your
7 own home town, possibly?

8 A. Well, there is more than one bank.

9 Q. That is duplication, is it not?

10 A. I am not at all sure that it is.

11 Q. You are not sure that it is?

12 A. Not necessarily, no.

13 Q. In other words, they leave freedom of
14 choice to the agricultural community as to which organi-
15 zation they will use?

16 A. Where there are two banks, yes.

17 Q. Now, when you deposit with the Bank of
18 Montreal savings deposits or you happen to put it with
19 the Toronto-Dominion Bank, would you get the same rate
20 of interest?

21 A. Well, I do not actually know that, as a
22 matter of fact, but I do rather expect they pay the
23 same rate of interest.

24 Q. Well, in the bank that you deposit your
25 savings with, do you get a special rate of interest or
26 do you bargain for a rate of interest with the bank?

27 A. No, I do not bargain for the rate of
28 interest with the bank.

29 Q. And, for instance, the grain handling
30 organizations in Western Canada, they are essential to



1
2 the farming community, are they not?

3 A. They are indeed.

4 Q. Do you think that close study should be
5 made of the nationalization of the grain handling
6 organizations of western Canada so they would be owned
7 by the state and operated for the benefit of the state?

8 A. I do not see much purpose in such an
9 investigation, no, but again the answer is the same that
10 our membership certainly has not taken that position.

11 Q. Your membership has not looked at the
12 thing in a very broad way and they have just passed one
13 resolution on which no action was taken, to your know-
14 ledge, by the government?

15 A. Well, to say that they did not -- I am
16 not saying what they did and did not do, because in our
17 individual meetings, when you say our organization did
18 not look at things in a broad way, things are considered
19 all the time in a very broad way by people in our
20 organization. There are a great many groups considering
21 a great many things and they do not all eventuate in
22 a meeting at our annual meeting.

23 Q. Up to now they have not suggested a
24 close study of the nationalization of banks or the
25 nationalization of grain handling organizations?

26 A. No, sir.

27 Q. Up till now?

28 A. Up till now.

29 Q. Now, Mr. Kirk, I am always a little
30 interested in this question of the incidence of



1 transportation costs, and in view of your answer to
2 my friend Mr. Cooper what you are saying is that
3 generally speaking because of resource attraction your
4 hypothesis is that everything that agriculture produces
5 by and large is in over-supply; is that correct?
6

7 A. Well, I did not precisely say that, sir.
8 I do not know what you mean by "over-supply." If
9 you mean everything that agriculture produces that there
10 are surplus stocks existing which are unsold by some-
11 body, no, that is not the situation. That is not what
12 I said exactly. What I did say was that there is a
13 tendency for production to run ahead of the demand
14 which results in lowered prices.

15 Q. Well, my note, and you will correct me
16 if I am wrong, because my notes are never absolutely
17 accurate because I cannot take down words as quickly
18 as you can give them, but I have had a little experience
19 and can generally pick out the meat, and your answer
20 was you could not be dogmatic, the position of
21 agriculture is that it is not attracting resources,
22 there is overproduction and forcing of farmers out
23 of agriculture. Is that pretty generally your answer
24 as you recollect it now?

25 A. Yes, that is right.

26 Q. And so, therefore, what you are saying
27 by and large is that there is overproduction of farm
28 produce in all its aspects, generally speaking?
29

30 A. That is right. I was using "over-
31 production" in the sense of more production than will



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1
2 give a satisfactory price. I mean, the sense of a
3 surplus where the government holds a surplus -- for
4 instance, where it is actually physically there --
5 a surplus economically, this is not the sense I meant
6 overproduction.

7 -

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2 Q. What you are really saying is that
3 basically, in relation to cost, agriculture has not been
4 able to sell its products at a price that would give
5 them their costs including a fair return? That is
6 really what you are saying?

7 A. That is what I am saying.

8 Q. Because, for instance, you mentioned
9 that one of the organizations that approved your brief
10 is the Maritime Federation of Agriculture, specifically?

11 A. Yes.

12 Q. Would you say that on potatoes the
13 potato growers of Prince Edward Island and New Brunswick
14 are not able to pass on the freight charges in moving
15 potatoes to central Canada? Take right now -- right
16 today -- that is, April 25th, 1960?

17 A. Yes, I do suggest that right today they
18 wouldn't be able to pass those charges on if they
19 were increased right today.

20 Q. They could not?

21 A. They could not.

22 Q. Do you know what the price of potatoes
23 per bushel is in the supermarkets of Ottawa today --
24 New Brunswick potatoes? I suggest to you that it
25 is \$2.59 for 60 pounds; and P.E.I. potatoes per bushel
26 at the present time -- and I have made the calculation --
27 can we agree that a bushel of potatoes is 60 pounds?

28 A. We can.

29 Q. I would suggest that you make a calcula-
30 tion, and that in Steinberg's market right here in



1
2 Ottawa you will find that P.E.I. potatoes are selling
3 at \$3.50 a bushel.

4 Are you suggesting that that is any indication
5 of protection or inability to pass on transportation
6 charges on potatoes?

7 A. Yes, I am suggesting that this very well
8 may be a short-run result of just exactly that. Of
9 course, potatoe prices do fluctuate very greatly; we
10 understand that.

11 Q. Do you happen to know what the price of a
12 bushel of apples is at the present time in Ottawa?

13 A. No.

14 Q. You said you are familiar with some of the
15 Judgments of the Board of Transport Commissioners and
16 the proceedings therein. You would recall, would you
17 not, that at one time when the Board of Transport Com-
18 missioners became concerned about potato production in
19 the maritimes they gave them some special consideration
20 and asked them to come back later when they could have
21 a little time to look at what happened and when they
22 came back that potatoes were more expensive than apples.
23 Do you remember that case?

24 A. I don't remember the details. I remember
25 that they were asked to come back.

26 Q. And at the time they found that they
27 needed no special assistance at all. Do you remember
28 that?

29 A. No, I don't recall the details of that
30 case.



1 Q. Are you suggesting, Mr. Kirk, on behalf
2 of the Federation of Agriculture that, for instance, the
3 freight charges on feed grain moving from Alberta to
4 British Columbia -- are you suggesting they are paid by
5 the farmers of British Columbia? Is that the suggestion
6 of your organization?

7 A. The freight charges on feed grain from
8 Alberta to British Columbia?

9 Q. Are they paid by the farmers of British
10 Columbia -- in the economic sense, not in the economy
11 sense?

12 A. Yes, this is a farmer-to-farmer transac-
13 tion.

14 Q. That is a difficult one for you, isn't it?
15 The farmer-to-farmer transactions are a little difficult
16 for you to handle in view of your brief?

17 A. No; it isn't so much that it is difficult,
18 except that agricultural producers are in the business
19 both of producing livestock and grain. What I was
20 meaning was the general effect of the impact of freight
21 costs on agriculture.

22 Q. For instance, where there is a farmer-to-
23 farmer transaction certainly the farmer cannot pay the
24 freight on everything he buys and everything he sells,
25 as you have suggested in your brief, unless the freight
26 charges are paid twice; is that correct?

27 A. I would agree that the freight charges
28 aren't paid twice.

29 Q. Therefore, you would agree that in farmer-
30



1
2 to-farmer transaction the farmer doesn't pay, as you
3 suggest, the freight charges -- he doesn't get the
4 incidence of freight charges in everything he buys and
5 everything he sells?

6 A. That is right.

7 Q. And, indeed, in so far as products produced
8 by agriculture in Canada are protected, then, the
9 protection from external markets and the giving of
10 the farmer a captive market enables him to pass on
11 charges; is that correct? For instance, apples?

12 A. A captive market?

13 Q. Yes.

14 A. No; any degree of protection that the
15 producers of agricultural product has from export --
16 the results of that are a little complex. It gives
17 the farmer some opportunity of better prices.

18 Q. And in so far as it gives him some oppor-
19 tunity for better prices it gives him some opportunity
20 to transfer the incidence of all costs, including
21 transportation costs; is that correct?

22 A. Well, the point I was making was -- well,
23 I agree if you increase the protection, sure, and in
24 so far as you may increase the protection under a
25 given set of circumstances presumably you might, but
26 the possibilities are limited.

27 Q. In so far as there is any protection to
28 any part of agriculture the benefit of protection is
29 the ability to transfer, in part at least, some or
30 all of the cost of production, including transportation



1 cost.

2
3 A. I find it a little difficult, just taking
4 that wording. If the agricultural industry obtains
5 an additional degree of protection ---

6 Q. That is not my question. In so far
7 as there is a protection against alternative sources
8 of supply in any agricultural product then that protec-
9 tion does enable the producer in part to pass on all or
10 part of all the costs including the costs of transpor-
11 tation?

12 A. No, I would say not, because on that
13 basis the protection is a factor ---

14 THE CHAIRMAN: I think, Mr. Sinclair, Mr.
15 Kirk indicated this morning that Dr. Hopper and Mr.
16 Hannan are both here, and I think on some of those
17 questions he should have the right to confer with them.

18 MR. SINCLAIR: If he wants to; by all means.

19 Q. You have not made, and your Federation
20 has not made ---

21 A. Could I repeat that point, that a given
22 degree of protection -- which, I understand, was your
23 point -- that exists for the agricultural industry, or
24 part of the industry, and this is not a dynamic
25 factor in the situation. We are talking about charging
26 the freight rates and the incidence of these increased
27 freight rates on the farmer. I don't see how ---

28 Q. We are talking about the ability to pass
29 on the incidence of transportation charges -- not
30 transportation increases, but transportation charges --



1
2 at any given level?

3 A. Yes.

4 Q. And I suggest to you that in so far
5 as they have the advantage of protection they are able
6 to pass on, in part or wholly, depending on a number
7 of given circumstances, some or all the costs, including
8 the cost of transportation?

9 A. Well, I come back to my point about it
10 being the dynamic factor. I certainly do not think
11 that we would attempt to maintain the position as a
12 complete absolute; and we didn't maintain that position.

13 Q. You don't maintain it?

14 A. That transportation costs -- the incidence
15 of transportation costs -- forever and ever must be
16 on the farmer, because obviously that would not be
17 true. What we are saying is that under the conditions
18 existing in the industry -- and I think I made this
19 point -- the very strong tendency is that for a
20 considerable period of time because of the difficulty
21 of agricultural adjustment the position is that the
22 incidence of freight rate increases is on the farmers.

23 Q. Well, Mr. Kirk, you would agree for
24 this Commission -- I am certain of this primary
25 position -- that in so far as the farming community is
26 in the position of controlling supply all charges
27 including the incidence of transportation charges can
28 be passed on, because the farmer is no different in the
29 application of that economic law than any other segment
30 of the producers, much as he would like to suggest that



1
2 he is at certain times?

3 A. In so far as he is in a position to con-
4 trol supply?

5 Q. Yes.

6 A. Well, his ability would certainly be in-
7 creased. There are a great many things in there, too.
8 He doesn't operate, of course, in isolation in the
9 market -- the Canadian farmer doesn't.

10 Q. In so far as he has protection from
11 imports, he does, doesn't he?

12 A. To a degree he does. You, perhaps, are
13 thinking of the dairy farmer there?

14 Q. That is one.

15 A. Yes.

16 Q. That is a pretty good one?

17 A. Yes, it is fairly good; but remember
18 that the production of dairy products is carried on
19 by farmers in western Canada who are also grain growers
20 and who are in the export market. They are adversely
21 affected by adverse effects on the grain grower, too.
22 The thing is not in a simple compartment.

23 Q. And I think that in your Federation you
24 never attempted to do an analysis of the incidence of
25 transportation. For instance, in 1958 they didn't
26 try. You have nothing to draw to the attention of
27 the Commission where you did an analysis on the inci-
28 dence of transportation on agriculture in Canada, have
29 you?

30 A. No, we haven't.



1
2 Q. So when you have made the calculation
3 in your brief the hypothesis that those calculations
4 are made on is that they pay on everything they receive
5 and on everything that they ship. This is the 40 per
6 cent calculation of freight charges. That is based on
7 that hypothesis which you have now agreed cannot be
8 applied?

9 A. Well, we don't attempt to claim that
10 this is a rigorous accounting estimate, but we think
11 that there is enough truth in it that it is true to a
12 very large extent, because for a considerable time
13 the tendency is for the farmer to bear the brunt in
14 these respects, and this 40 per cent may be a somewhat
15 accurate representation, in a very valid way, of the
16 extent of the stake that agriculture has in this
17 question.

18 Q. You think that, but you haven't any facts
19 to prove it? Is that the correct way to summarize
20 it?

21 A. Yes. And, of course, it is the kind of
22 thing that doesn't lend itself to factual analysis;
23 the question of incidence is not something that is
24 easily determined by surveys, even if we had the
25 resources to make such a survey.
26
27



1 Q. But that is ---

2 A. There is a place for theory.

3 Q. Yes, there is a place for theory, and
4 theory is clearly one of elasticities of demand and
5 supply in respect of transportation costs.

6 A. Yes.

7 Q. And the farming and agricultural community
8 is no different in that regard than any other segment
9 of the community; the same economic laws are applied?

10 A. The same laws are applied.

11 Q. And you won't misunderstand me when I
12 suggest that this suggestion is a hypothesis, is a useful
13 argumentative propaganda hypothesis that I think has been
14 used by the agricultural community for a great many
15 years.

16 A. I agree it has been used for a good many
17 years.

18 Q. You wouldn't accept my description of it?

19 A. No.

20 Q. Now, Mr. Kirk, let us get on a subject
21 that I am sure we can agree on. You agree that financially
22 railways are essential for the economic development of
23 Canada in general and the agricultural segment of that
24 economy in particular?

25 A. Yes, of course, I agree that financially
26 sound railways are important.

27 Q. My question was "are essential". You want
28 to make it "important".

29 A. Well, I would agree that they are essential.
30 I think we might find some difference on this matter of
"financially sound", of course.

Q. You mean as to the level you would consider
financially sound, and I recognize you might have some
views on that because you have made it clear in some



1 places in your brief you felt that railways should have
2 fair earnings, should realize fair earnings, is your
3 phrase, that the railways should realize fair earnings.
4 I was just wondering what you meant by "Fair earnings".
5 When you put that in there what did you have in mind as
6 to the level of fair earnings to railways?

7 A. We didn't have in mind any particular
8 percentage figure if this is what you mean.

9 Q. For instance, under the Canadian Pacific
10 contract of 1881 reference is made to Canadian Pacific
11 making 10 per cent on the capital expended on the rail-
12 way. Would you think that would be fair?

13 A. Reference is made to -- I am sorry.

14 Q. An earning of 10 per cent on the capital
15 expended on the railway. Would you think that would be
16 fair?

17 A. Well, in our view fairness involves to the
18 railways in regard to earnings, as I think we have said,
19 a good many considerations than a simple calculation of
20 earnings on capital.

21 Q. Let me ask you this and you could answer
22 this. You would not say that 10 per cent would be un-
23 fair, at the present time?

24 A. There are a good many businesses make
25 10 per cent on their earnings.

26 Q. 10 per cent on their investment?

27 A. Yes, on their investment, and I don't
28 think we would be prepared to say that this was an unfair
29 level of return in that case, no.

30 Q. And you wouldn't say it would be unfair
to the railways?

A. Not necessarily in principle unfair, no.

Q. And you want to tell this commission that
you have made no specific studies as to what would be a



1 proper level of earnings for railways at this time?

2 A. We have made no such specific studies,
3 no.

4 THE CHAIRMAN: When you mentioned the 10
5 per cent did you mean net or gross?

6 MR. SINCLAIR: Always net, sir.

7 THE CHAIRMAN: The witness would understand
8 that?

9 MR. SINCLAIR: I would think he would, because
10 in this month of April everybody is very conscious of
11 that.

12 THE WITNESS: I understood you to mean net,
13 yes.

14 MR. SINCLAIR: Q. You told Mr. Cooper, Mr.
15 Kirk, that, as you understood from your study, the
16 Board of Transport Commissioners had made it clear that
17 they didn't consider their function to be that of an
18 economic planning board. That was the purport of your
19 answer, not your words.

20 A. Yes.

21 Q. And you went on to say that you felt that
22 there was merit in that position of the Board, as I
23 understood you. Correct?

24 A. Yes, I can understand them taking that
25 position.

26 Q. And you don't disagree with that being
27 their function, the way they assess it and the way we
28 describe it?

29 A. As you know, we have thought that they
30 could take -- an economic planning board is one thing --
we have thought that they could take more cognizance
than they perhaps have done of broad considerations of
economic interests and the economic interests of particular
industries, including our own. But to make it an economic



1 planning board, to recognize this as one of their
2 specific functions in all the rate questions, I agree
3 is lowering quite a lot on them.

4 Q. And something which you are not proposing
5 that this Commission recommend?

6 A. No, we are not proposing that in this
7 presentation.

8 Q. A function of the Board and its powers
9 of regulation with respect to rates, you agree, is to fix
10 and determine just and reasonable rates and change and
11 alter those rates as changing costs and conditions of
12 transportation require? That is their function?

13 A. That is the function they have been given,
14 yes.

15 Q. And you are not proposing that that func-
16 tion of the railways, as I have described it, be changed
17 by any change of the statute?

18 A. That this function of --

19 Q. That I have paraphrased, what I have
20 paraphrased to you -- I thought you would recognize it --
21 the rate-making function of the Board as delineated in
22 Section 328 of the Railway Act. You are not suggesting
23 that that Section be amended to put any other function
24 on the Board as their duty?

25 A. Of course, we are not specifically
26 making any recommendations with respect to the Board
27 of Transport Commissioners, no. But I think when we
28 open up, as we do, there is a very real possibility that
29 as a matter of national policy some form of assistance
30 may very well have to be given to railroads, and in
addition, when we base this suggestion on the economic
position of various industries, including our own, and
when we further say that in giving such assistance, if
you give it, that there must be a satisfactory criterion



1 set up and a satisfactory jurisdiction set up. I think
2 it is clear that such a policy would involve a greater
3 degree of -- the Government or perhaps some agency that
4 the Government may appoint, interesting itself more
5 broadly in railway and transportation policy than the
6 Board of Transport Commissioners has.

7 Q. What I am trying to get clear for the
8 assistance of the Commission is this: is it the
9 position of the Canadian Federation of Agriculture
10 that the statute should contain directions as to what
11 the Board of Transport Commissioners should take into
12 account in fixing transport rates in a manner different
13 than the Board has done so in the jurisprudence that
14 is so well known. Is it your position that the statute
15 should delineate factors other than those that the
16 Board have taken into account?

17 A. We have made no such recommendations.

18 Q. And so the answer is you are not sugges-
19 ting any change in the statute to delineate any such
20 matters?

21 A. We have no specific recommendations. The
22 point I made was that what we are suggesting here as
23 possibilities for assistance and as considerations for
24 a sound rate-making policy, it seems to me, may very well
25 involve the government interesting itself more broadly
26 through some means than it has in the level of freight
27 rates, and we have no particular suggestions as to
28 whether some parts of the -- whether the Board of
29 Transport Commissioners might have some functions in
30 this respect or not.

Q. Would this be a proper way to summarize
your position, that the Board of Transport Commissioners
should fix just and reasonable rates in line with the
policies they have followed up to date, that if government



1 assistance is to be given in regard to railways, either
2 on their own behalf or on behalf of anyone else, that
3 the Board or some other government agency would have
4 to give careful consideration and control over that
5 assistance?

6 A. That is part of it.

7 Q. Pardon? I didn't hear your answer.

8 A. That is part of our position. It is also
9 our position, of course, that rail rates should not be
10 increased for a period of years.

11 Q. Subject to the fact that the rail rates
12 shouldn't increase for a number of years, my summary
13 of your position would be accurate. Is that correct?

14 A. Yes, I would think so.

15 Q. Now, in regard to the fixing of freight
16 rates for a number of years, that is, freezing is your
17 suggestion, would you also freeze railway costs during
18 that same period so that there wouldn't be any leverage?

19 A. I certainly would not be prepared to say
20 that there should be a freeze of railway costs, no.

21 Q. The costs would go up but the rates would
22 have to stay stable. Is that the position of the Federa-
23 tion of Agriculture?

24 A. By costs do you mean wage rates, for
25 example?

26 Q. No, the things they buy.

27 THE CHAIRMAN: Labour, material costs.

28 MR. SINCLAIR: Yes.

29 THE WITNESS: Well, costs often go up without
30 any increase in prices. Wage costs go up at times without
31 any increase in prices.

32 Q. I will come back to that because you have
33 a statement there and I want to have a little discussion



1 with you about the relativity of productivity. Here is
2 your suggestion to this Commission, the Canadian
3 Federation of Agriculture, that the railway rates for
4 a number of years be not increased?

5 A. That is right.

6 Q. I am asking you whether it is also a
7 suggestion of the Canadian Federation of Agriculture
8 that costs of the railways be frozen, and you then
9 start talking about productivity. Would you say they
10 should be frozen? If the railways can't increase their
11 productivity to meet increased costs, then should their
12 costs be frozen?

13 A. What you are saying is if --

14 Q. If railways can't increase the productivity
15 of labour without putting in additional capital, keeping
16 everything at the status quo, then should labour rates
17 be frozen?

18 A. No, I would think not.

19 Q. So, therefore, it is the position of the
20 Canadian Federation of Agriculture, notwithstanding the
21 fact that they can't increase productivity as to labour,
22 by increased investment which attracts its own costs,
23 then notwithstanding that the revenues should be frozen?

24 A. Our position is that freight rates should
25 not be increased for a period of years for what I think
26 is a very good reason.

27 Q I am asking you to give consideration and
28 I am going to ask you to consider the economic implica-
29 tions of this. After all, the Canadian Federation of
30 Agriculture is not a new body, and it is a body that has
made presentations before, and, Mr. Kirk, they picked
you as the best man to explain to this commission and
you don't mind me pressing you. I am not suggesting
you have any antipathy to answering my questions, and you



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Kirk, cr.ex.
(Sinclair)

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1 will pardon me for pressing you a little bit, because
2 I think it is of assistance to the commission that I do
3 so in view of what you replied. Do you understand my
4 position?

5 A. I understand your position.
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1 Q. Then, Mr. Kirk, I will come back and
2 say to you, is it the position of the Canadian Federation
3 of Agriculture that if productivity of labour cannot
4 be increased, and the cost is not to be allowed to
5 be reflected in increased revenues, is it the position
6 of the Canadian Federation of Agriculture that, not-
7 withstanding that, wage rates should increase --
8 should be allowed to increase?

9 A. The position is, the wage rates should
10 not be frozen.

11 Q. And notwithstanding the fact that in-
12 creased costs cannot be got back from revenues or
13 increased productivity?

14 A. You say, if this is so?

15 Q. Yes.

16 A. Yes, that is our position.

17 Q. And, for instance, if you can't increase
18 the price -- well, things they buy from the farmers:
19 they go up, we will say, and yet, you can't increase
20 any prices? Let us say the meals on the dining car:
21 that steak now is cheap at \$1 a pound, and it happens
22 to go up to \$1.25 a pound -- that is a 25 per cent
23 increase: would you allow the railways to increase
24 their price on account of that increase in cost?
25 Because they can't increase the productivity of a
26 steak?

27 A. I was talking about the freight rates,
28 not the price of meals.

29 Q. Yes, but I am giving you an example of
30



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1 some other prices charged by railways. You would allow
2 them to go up, would you -- if prices of food that
3 went into the meals went up?
4

5 A. I am not proposing that be regulated, in
6 that particular case, no.

7 THE CHAIRMAN: I think we will adjourn now,
8 Mr. Sinclair, until ten o'clock tomorrow morning.

9 ---Adjournment.
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Mr. McFarlane

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No.:

DATE

56

26 Apr. 1960

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E R R A T U M

Vol. 56

Page 10337, line 28 delete "1951"
 substitute "1931"



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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held
in the Court Room, Board of
Transport Commissioners Offices,
Ottawa, Ontario, on the 26th
day of April, 1960.

COMMISSION

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Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

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Mr. H. W. Ellicott	Adviser

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary



Ottawa, Ontario,
Tuesday,
April 26, 1960.

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please. Mr. Sinclair?

CROSS-EXAMINATION BY MR. SINCLAIR (cont'd)

Q. Mr. Kirk, yesterday we were discussing the proposition advanced by the Canadian Federation of Agriculture that freight rates should be frozen for, as you put it, a number of years, and, notwithstanding this freeze, it was the position of the Canadian Federation of Agriculture that there would not be a freeze on railway costs, and the detrimental effect is my question that would flow from that. How would that be taken care of, in the view of the Canadian Federation of Agriculture?

A. Well, sir, I think that the answer to that is not, of course, a simple one; the problem isn't a simple one. Now, in the first place, as I think our presentation makes clear, we do think that the public interest may very well indicate the need for assistance to the railways - in the first place.

Q. What you are suggesting, then, is that the increased costs during this period would be taken care of by a government subsidy, government assistance; is that correct?

A. No. What I am suggesting is that this may be one thing that is necessary. We are prepared to consider this as a real possibility, as a need, yes.

Q. Then, Mr. Kirk, let me clear this up just finally. You said yesterday that railway meal



1
2 rates could go up; you made that clear. Now, would it
3 be the position of the Canadian Federation of Agriculture
4 that passenger fares could increase?

5 A. Yes; we have not taken the position that
6 there should be a freeze on passenger fares.

7 Q. And would it be your position, for instance,
8 that telegraph rates and express rates could also increase?

9 A. They might increase. I don't know the
10 position on those, whether an increase in those would be
11 justified or not.

12 Q. But your position is not that they should be
13 frozen as were the freight rate levels.

14 A. That is right; we didn't deal with those
15 questions.

16 Q. And your position would be that they would
17 not be frozen?

18 A. We are not making any such recommendation.

19 Q. For instance, if a railway competitor's
20 costs went up and, as a result of that, he increased his
21 rates, could the competitive rate of the railways increase
22 to take into account that increase in the competitor's
23 rates?

24 A. I think, sir, we are not suggesting a
25 complete freezing of all freight rates. What we are
26 suggesting is that there be no general increase in freight
27 rates for a period of years.

28 Q. Let me just explore that with you, if you
29 don't mind, Mr. Kirk, dealing with the question I put to
30 you. With respect to competitive rates, then, they could
increase?



1
2 A. Yes, under the general provisions of the
3 Board of Transport Commissioners.

4 Q. And the same would apply to agreed charges,
5 they could increase if the railways negotiated higher
6 agreed charges?

7 A. I think so.

8 Q. I take it, also, the railways could with-
9 draw specific commodity rates and allow commodity mileage
10 scales to apply during the period?

11 A. No. I would say this, that if an attempt
12 were made to provide what was in effect a general level
13 of increase in rates through a great many individual
14 increases, we would think this could not be done either,
15 if the effect was the same.

16 Q. If the reason for the specific commodity
17 rates was such that they were in there to meet market
18 competition and because of increased costs they became
19 non-compensatory, then there would be a duty on the rail-
20 ways to increase them so that they would be remunerative
21 under the law. You know that. So what would you do
22 in that situation?

23 A. What rates are you referring to there?

24 Q. Specific commodity rates. Had you
25 thought about that?

26 A. There is a duty to increase these under the
27 law, you say?

28 Q. Yes.

29 A. On the part of the railways?

30 Q. Yes. Had you thought of that situation?

A. I am sorry, I hadn't been aware that this



1
2 was mandatory on the railways to increase commodity rates
3 when they became non-compensatory to the railways.

4 Q. You see, I think that maybe your problem
5 is this, that when you answered Mr. Cooper yesterday and
6 you said to him - this is my note - that it had never
7 been the central theme of rate-making in this country
8 that you measure the question of whether or not it is
9 remunerative. I will read your exact words, on page
10 10145:

11 "...it has never been the central criterion of
12 railway rate-making in this country that you
13 measure, in the case of each individual rate, the
14 question of its - what was the word you used? - the
15 question of whether or not it is remunerative - as
16 a single rate."

17 Now, Mr. Kirk, that is basically your under-
18 standing of railway rate-making, and I suggest to you
19 that under the Railway Act for rates to be just and reason-
20 able they must meet the variable cost and something more,
21 and this applies to the competitive rates, agreed charges
22 and all other individual rates, and if rates are not
23 remunerative, then there is a duty on the railways,
24 when they are brought to their attention or where they find
25 them, to take appropriate action to put them at the proper
26 level - just and reasonable rates. I think you have
27 answered that you didn't know that.

28 A. I suggest, first of all, what I have said
29 there in the section you read is perfectly correct, that
30 there has been no individual rate costing principle for
rate-setting used in railway rate-making, and to say that



1
2 there is a responsibility --

3 THE CHAIRMAN: The section of the Act would be
4 328.

5 MR. SINCLAIR: Yes, and the jurisprudence of
6 the Board that has interpreted "just and reasonable".

7 THE WITNESS: Yes; but the proposition you put
8 is that it was mandatory on the railways to give an
9 increased rate if that rate is not remunerative. I
10 didn't understand "just and reasonable" in the Railway
11 Act amounted to this.

12 MR. SINCLAIR: Q. I am sure I don't need to
13 pursue this because I am sure there are members of this
14 Commission who are very conscious of that situation.
15 That is the law, Mr. Kirk, and, therefore would you
16 accept, if that is the law, from me, please --

17 A. Have there not been years, sir, where,
18 in the aggregate, the Canadian Pacific Railway lost money
19 on their railway? It seems to me that if the rates
20 were to be remunerative it would be impossible to have
21 such a situation on any railway.

22 Q. The answer is this - and I don't want to
23 take over the position of giving evidence, but I will
24 tell you, with the concurrence of the Commission, that I
25 am surprised that a man who has spent some time studying
26 the situation makes that suggestion, because that is not
27 so with respect to any period that I know of, that
28 Canadian Pacific was ever in a position where it did not
29 meet its costs in providing railway transport, after
30 making adjustments, and I think if you had done some
work on it, Mr. Kirk, you could have easily seen that.



1
2 I will drop that in view of the Commission and in view
3 of the situation that is now explained to you.

4 Now, I will turn to another matter, if you don't
5 mind, Mr. Kirk. You said that your association, the
6 Canadian Federation of Agriculture, was against horizontal
7 increases, but you made clear to my friend, Mr. Cooper,
8 that you had no alternative, and I take it from that
9 that you were dealing with this as a matter of principle.
10 So I would take it on that basis, and I suggest to you
11 that, in principle, when there is a general increase in
12 railway rates, the method to be adopted - and you agree
13 with this, I suppose - should be one that, as nearly as
14 may be, the increased cost should be covered by the
increase over all segments of freight traffic.

15 A. Well, I think that this would be true
16 except in so far as there might be segments of freight
17 traffic over which it could not be spread for reasons of
public interest, perhaps.

18 Q. Well, in that case you would say in principle
19 this is right except in the case where some segment of
20 traffic was unable to stand the increase?

21 A. Yes.

22 Q. For national policy reasons they should be
exempt?

23 A. Yes. But of course --

24 Q. You are saying yes to that? Was your
25 answer yes to that?

26 A. Yes. But, remember, the general rate
27 increases are not applied, in fact, uniformly over all
28 freight traffic.
29
30



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2 Q. Well, of course, I am not here to argue
3 about these things. I am asking you in principle whether
4 you agreed that the method should be one that, as nearly
5 as may be, would spread the increased cost through a rate
6 increase over all segments of freight traffic, and I take
7 it your answer to that is yes, subject to some segment
8 of traffic which you thought in the national interest
9 should not be subject to increased transportation charges.

10 A. Yes, I think as a general proposition that
11 is correct.

12 Q. Then, Mr. Kirk, as to the traffic that
13 was to be exempt, then the national assistance which
14 you talk about would be with respect to that traffic
15 or that segment of the community which was shipping that
16 traffic directly, wouldn't it?

17 A. No, sir, I don't see that that follows.

18 Q. You don't? Well, why doesn't it follow?

19 A. Well, because the national assistance we
20 are talking about is given under conditions where we are
21 not supporting a general increase in freight rates for a
22 period of years.

23 Q. Let's not try to evade this matter.
24 So that I may recapitulate this, your hypothesis as it
25 appears through your brief was based on a misconception
26 as to the necessity of having remunerative rates, so we
27 have set that aside, and we have now approached the
28 problem with respect to your position as being against
29 horizontal increases, and my position, which you agreed
30 with, was that increases, general increases in rates
should be applied so that, as nearly as may be, they would



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2 be spread over all segments of freight traffic. To
3 that proposition you agreed, subject to some segment
4 of freight traffic which, in the national interest, it
5 was decided could not bear increased transportation
6 charges, and in that section there would have to be
assistance, as you put it.

7 A. No --

8 Q. Now, my question on that to you was this,
9 that that assistance having been given to take care of
10 the exemption, you would agree that that assistance would
11 be assistance directly given to the traffic that was
12 exempted or to the segment of the community that shipped
13 that traffic and paid the freight rate charges on it?
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1 A. Now, this, of course, is not at all what
2 I said, in my understanding of it.

3 Q. I don't hear you.

4 A. This is not at all what I said. You have
5 read a good many things into what I said.

6 Q. Well, I don't want to do that.

7 THE CHAIRMAN: Well, let him answer and
8 explain. Give your explanation, Mr. Kirk.

9 THE WITNESS: Yes. Well, in the first
10 place, the answer I gave with respect to general in-
11 creases was clearly not a proposition that there should
12 be general increases, necessarily, at any particular
13 time. I would certainly take that question in the con-
14 text that, if and when there were general increases.
15 In the second place, you started out -- I forget how
16 you put it -- but with some kind of a proposition that
17 it was mandatory in some sense on the railways to apply
18 general increases, if necessary, to obtain revenue
19 for earnings, and if there were exceptions, you sug-
20 gested I said -- which I did not -- that assistance
21 be applied to those particular products. The point is,
22 I don't accept in a context of broad public policy,
23 which we are talking about, that general freight rate
24 increases must be applied under any circumstances --
25 any particular set -- at least, under some generally
26 defined set of circumstances such as you set up -- the
27 need to make a particular level of earnings, as a pro-
28 position in isolation from other considerations.

29 MR. SINCLAIR: Q. Let me start again, then,
30



1 so we can clean this up. Under the law, rates must be
2 just and reasonable; you know that?

3 A. That is the responsibility of the Board
4 of Transport Commissioners.

5 Q. That is right, and there is only one
6 exception to that under the law, and that is the move-
7 ment of grain to export positions in western Canada --
8 you know that?

9 A. Yes, sir.

10 Q. And you know also that a rate, to be just
11 and reasonable, must meet its variable costs and make
12 some contribution, and that is basic to the philosophy
13 of rate making, and is the law spelled out in the Railway
14 Act and the jurisprudence of the Board; you know that?

15 A. That any individual rate to be just and
16 reasonable . . . ?

17 Q. Yes.

18 COMMISSIONER MANN: Mr. Sinclair, the
19 Railway Act does not spell out that the rate must meet
20 its variable cost and make a contribution ---

21 MR. SINCLAIR: I said, the Railway Act
22 and the jurisprudence of the Board, Commissioner Mann.
23 I would doubt very much if anyone would challenge that
24 statement.

25 COMMISSIONER MANN: It is the juris-
26 prudence of the Board which refers to the out-of-pocket
27 costs.

28 MR. SINCLAIR: Except that in two aspects
29 of rates it is spelled out, and that is, competitive
30



1
2 rates and agreed charges, which are all part of the rate
3 structure. So that the combination of the Railway Act
4 and the jurisprudence of the Board is that rates must be
5 remunerative in the way I have described them to the
6 witness.

7 COMMISSIONER GOBEIL: I think what he
8 has in mind is the statement on page 25.

9 MR. SINCLAIR: Well, Mr. Commissioner
10 Gobeil, there are a lot of statements in this brief, and
11 I think they spring from a lack of knowledge of what is
12 the law and the jurisprudence.

13 THE WITNESS: Well, sir I would say this:
14 I am not going to argue the law of the situation, but
15 I would say this, that if the position is such -- and it
16 seems to me you rather suggest it -- the legal position
17 under which the railways operate is such that assistance
18 to the railways could be given in no other form than
19 attributable to particular classes of rates, if the
20 legal position amounts to this, then, I would suggest
21 that the legal position should be changed.

22 MR. SINCLAIR: All right.

23 Q. So, you are saying, if it is the legal
24 position as it exists today, then the assistance would
25 have to be tied to particular traffic or particular
26 communities?

27 A. No, I am not saying that. You are
28 saying that.

29 Q. Well, on the basis you accept what
30 Commissioner Mann said was properly stating it ---



1
2 A. I would not precisely say I would accept
3 it. I said, I am not prepared to contest that state-
4 ment. I think there is a difference.

5 Q. You do?

6 A. Yes.

7 Q. Then, you say if it is right -- the way I
8 have put it to you -- the law should be changed. This
9 is the Canadian Federation of Agriculture, who, I
10 take it from your answers, if my position is correct,
11 didn't know what the law was, and are now suggesting
12 if the law is as you have now had it put to you, then it
13 should be changed; all right. How should it be changed?

14 A. It should be changed ---

15 Q. Or, have you given any consideration ---

16 THE CHAIRMAN: Let him answer.

17 THE WITNESS: It should be changed, and I
18 am not prepared to outline a model piece of legislation
19 on the question, but it certainly should be changed to
20 provide that, if in the public interest general
21 assistance to the railways was justified, that this
22 should be taken into account in setting freight rates.

23 MR. SINCLAIR: Q. If the need for assistance
24 arises from the fact that there is a body of rates that
25 are not remunerative, why should that be translated into
26 what you term "general assistance"? Tell the Com-
27 mission why.

28 A. I didn't say that the difficulty arises
29 out of the fact there is a body of rates that are not
30 remunerative.



1
2 Q. Well, assume that -- that there is a body
3 of rates unremunerative -- rates on a specific traffic
4 -- and they are to be exempted from any increases or
5 from any principles of general rate making: why should
6 that be translated into general assistance to the rail-
7 ways?

8 A. And you are asking me to assume this group
9 of rates is unremunerative?

10 Q. Yes, go ahead and assume it.

11 A. Well, what we are coming to is the grain
12 rates.

13 Q. We are not coming to them; we are there.

14 A. We are there; very well. Well, you said
15 "any body of rates". The thing is that the grain rates
16 are part of the statutory conditions under which the
17 railways operate.

18 Q. To that I will agree.

19 A. And we do not accept the proposition,
20 therefore, that the question of whether or not these
21 rates are remunerative is the sole judge as to the
22 propriety of those rates, and the Crow's Nest rates are
23 there for reasons of national policy, as is the Canadian
24 Pacific, and we do not see why this proposition that the
25 railways have put forward, that assistance should be
26 given and identified as assistance to the grain producer,
27 is a proper one.

28 Q. Well, assume with me -- and I am sure you
29 have given this consideration -- and I must press you on
30 this because this is one of the keys of your brief, and



1
2 the Commission wish to understand it: that rates other
3 than the rates on grain must be just and reasonable,
4 by statute. The rates on grain, I am asking you to
5 assume, moving to export positions in western Canada
6 are not remunerative, and therefore there is a burden
7 placed on the railways from the obligation of carrying
8 rates at the statutory level -- and it is just as clear
9 as that on the assumptions we have made. Now, will
10 you please tell the Commission why under those circum-
11 stances any assistance that is necessary to the grain
12 shippers should not be identified as assistance given
13 to or on behalf of the grain shippers?

14 A. Because there isn't a question, in my
15 opinion, of giving assistance to the grain shipper.
16 The grain shipper is farming in western Canada under
17 conditions created by public policy under rates
18 established by public policy for good and sufficient
19 reasons, and it is simply not a question of subsidizing
20 the grain producer or giving assistance to the grain
21 producer. It is a question of whether or not the rates
22 for carrying grain in the interests of the grain producer
23 and the country, and as a matter of equity and propriety,
24 should or should not be increased. If there is any
25 question, it is that. Parliament is a sovereign body,
26 and this is a statutory provision, but there is no
27 question, in our opinion, there should be any question
28 of giving assistance to the grain producer.

29 Q. Let me see if this does not clear the
30 matter up. What you are saying to this Commission is



1
2 that the statutory grain rates -- that this is a deal
3 between the western farmers and Parliament, which is
4 written out and is in the statute?

5 A. Right.

6 Q. And this imposes and places an obligation
7 on the railways of Canada that grain is to be moved at
8 a fixed level of rates, and this deal that is written
9 out -- this deal between Parliament and the farmers of
10 western Canada -- has been sometimes referred to as the
11 Magna Charta of the western farmer; is that what you
12 are saying to this Commission?

13 A. That it has some times been referred to as
14 the Magna Charta?

15 Q. That this deal between the western farmer
16 and Parliament, as the sovereign body, that grain will
17 be moved to export positions at a fixed level of rates,
18 and this deal is written out and it is in a statute, and
19 that statute places obligations on the people who move
20 the grain, namely, the railways?

21 A. That is right.

22 Q. And that is what you mean when you say
23 it is in a very real sense contractual -- in a very
24 special sense contractual?

25 A. Yes.

26 Q. I go from that, then, to this position,
27 that because of this deal between Parliament and the
28 farmers of western Canada, then you are saying the fixed
29 level of those rates, because of the economic situation
30 of the western farmers, cannot be increased, and I think



1
2 you said there was general agreement about that, in your
3 brief?

4 A. I did.

5 Q. Therefore, if they are not remunerative
6 -- the fixed level is not remunerative -- then the ques-
7 tion I am putting to you is, to tell this Commission why
8 the difference between a proper and just and reasonable
9 level for grain rates and the fixed level should not be
10 designated as assistance to or on behalf of the
11 grain shippers?

12 A. Because the Crow's Nest rates are a
13 statutory condition of the operation of the railways, and
14 that is the situation, and there is no question of giving
15 assistance to the western grain grower. These are the
16 rates which, as a condition of the operation of the
17 railways, he has to be charged as things stand today.

18 Q. In any event, that is your answer?

19 A. And I think it is a very good answer, too.

20 Q. Well, we can argue it later. I think,
21 then, I should give you the opportunity -- and I am sure
22 you would want to have this opportunity -- of cleaning
23 up what might be misconstrued from your brief and your
24 answers in what you say at page 21, paragraph 55.

25 You say there, "If these rates were appreciably in-
26 creased it would have a pronounced depressing effect
27 on the production of grain in western Canada and the
28 incomes of grain growers and it is universally accepted
29 that a prosperous western grain industry is not only
30 important to the livelihood of the majority of the



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people of the prairie provinces but to the people of
all the other provinces as well."

By the introduction in that sentence of the
modifying word "appreciably" before the word "increased",
does the Canadian Federation of Agriculture mean that
there could be some increase without the effects that
you have so graphically set out in the words that follow,
and, if so, how much?

(Page 10231 follows)



1
2 A. Well now, we do not mean there should be
3 any increase whatever, of course.

4 Q. Then, we should take out the word
5 "appreciably", should we?

6 A. Yes, I think perhaps it would be a good
7 idea to take that out if you like.

8 Q. It is not whether I like, Mr. Kirk, it is
9 whether the Canadian Federation of Agriculture -

10 A. I am not going to try to support particul-
11 arly the wording of this because I am not at all sure that
12 it is the best piece of writing in the world, but as a
13 statement it stands. Certainly if they were in a
14 miniscule proportion there would not be a pronounced
15 effect.

16 Q. There would not be a dire effect if they
17 were increased -

18 THE CHAIRMAN: I think it is clear that
19 Mr. Kirk does not want any increase in freight rates.

20 THE WITNESS: Of course, it is clear, yes.

21 MR. SINCLAIR: Q. Now, immediately following
22 that, Mr. Kirk, we will see how clear it is and in the
23 next paragraph, paragraph 56 you say that if the freight
24 rates on export of western wheat were increased, the
25 competitive position of the Canadian western wheat growers
26 would be impossible. Then, I am quoting:

27 "If freight rates on Canadian wheat for export were
28 increased, the competitive position of Canadian
29 growers would be so undermined that it would be
30 impossible for Canadian wheat to be sold on world
31 markets in competition with U. S. wheat. The



1
2 "wheat industry of western Canada would therefore
3 be dealt a vital blow and the whole economy of
4 Canada would suffer."

5 As you know, Mr. Kirk, the freight rates for
6 transporting grain to export positions in the United
7 States for equal distance is two and a half, two to three
8 times the rates for comparable distances in Canada. Are
9 you suggesting in this paragraph 56 that the western
10 Canadian is not as efficient as his U. S. counterpart
11 or are you suggesting rather that the U. S. wheat
12 grower is looked after in other ways by government assist-
13 ance?

14 A. Yes. The U. S. wheat grower, of course,
15 does receive a good deal better price than the Canadian
16 wheat grower, but what I am saying -

17 Q. Why does he receive it?

18 A. We take a great deal - why does he receive
19 it?

20 Q. Yes.

21 A. He receives it as a result of government
22 policy on prices.

23 Q. And that is U. S. government assistance
24 to the U. S. wheat grower, is it?

25 A. Yes, indeed.

26 Q. Your answer to that was "Yes"?

27 A. Yes.

28 Q. And what you are saying is that that kind
29 of government assistance to enable the Canadian wheat
30 growers to pay normal freight rates has not been given
so, therefore, the situations are different. Is that



1
2 your position?

3 A. I am not relating that assistance to the
4 freight rate question at all.

5 Q. Well, I am though for the assistance of the
6 Commission. Let us start again; you are not suggesting
7 that the American wheat grower is more efficient than the
8 Canadian wheat grower?

9 A. No, I am not.

10 Q. You would say they would be equal or
11 possibly the Canadian a little more efficient, would you?

12 A. I would say the Canadian wheat producer
13 is a competitive wheat producer, yes.

14 Q. But you are saying that if freight rates
15 in Canada for the movement of grain were increased, then
16 the Canadian wheat grower would not be able to compete
17 with the United States grower in world markets?

18 A. Yes, as things are today.

19 Q. Yes, and in the foreseeable future?

20 A. And I think in the foreseeable future,
21 yes.

22 Q. So, therefore, Mr. Kirk, the position
23 of the western wheat grower in the U. S. who pays rates
24 two to three times as high as his counterpart in
25 Canada is able to compete in the world wheat market and
26 pay these higher freight rates because he is looked
27 after by the U. S. in other ways. He receives assistance
28 in other ways, correct?

29 A. Correct.

30 Q. And if the Canadian wheat grower received
similar assistance as the government of the U. S. gives



1
2 to the American wheat grower, then the Canadian wheat
3 grower would be able to pay normal rates on grain;
4 correct?

5 A. Yes, if the Canadian wheat grower
6 received the assistance from the government he could
7 presumably pay the same equivalent rates. That is a
8 mathematical proposition, yes, but as a proposition it
9 is quite irrelevant to the question that we are arguing.

10 Q. That, of course, is a matter for the
11 Commission to decide. Now, in regard to passenger
12 services, Mr. Kirk, the position of the Canadian
13 Federation of Agriculture is that deficits from passenger
14 train services should not be taken up in freight rates.
15 That is your basic position on the passenger?

16 A. Should not be taken up in freight rates?

17 Q. Yes. In other words, that railway
18 service is not to be looked upon as it is sometimes
19 described and has been described as unitized service?

20 A. Yes. Our basic position on the railway
21 services is that if there are losses on passenger
22 services this reduces the revenue position of the railways
23 and the earnings position of the railways and the earning
24 position of the railways is obviously the determining
25 factor in the establishment of rail rates, and, therefore,
26 our position is that deficits on passenger traffic
27 should either be eliminated, or if it is a matter of
28 public policy the service continue at a deficit that
29 assistance should be paid to make that up.

30 Q. Basically the position of the Canadian
Federation of Agriculture is that passenger train service



1
2 should stand on its own feet; correct?

3 A. Correct.

4 Q. And, therefore, as you have said, this
5 passenger train service was at one stage an essential
6 service in Canada to move people before highways and
7 motor cars and airplanes and all the modern ways of
8 moving people which they would rather have?

9 A. Yes.

10 Q. This passenger train service was essential
11 to the people?

12 A. Yes.

13 Q. And they were supplied to meet a need for
14 rail passenger service?

15 A. Yes.

16 Q. Well, then, in the transition period so
17 that there could be an orderly movement out of passenger
18 service and restriction of these services, in view of
19 the fact that they were supplied to meet an essential
20 requirement, would you not agree that in the transition
21 period while the railways move out of these services,
22 that the loss on them should continue, as they have been
23 continuing, has to be made up from services that were
24 being provided. Would you not agree that is a sound
25 proposition economically and nationally?

26 A. We do not agree that that should be the
27 position at the present time. We say that they should
28 be made up by government payment if there is a necessary
29 transitional period and there are deficits in that
30 period.

Q. I am putting it to you, Mr. Kirk - let me



1
2 make it specific that there are some passenger services
3 that are not required at the present time on the
4 Canadian Pacific Railway, we will take that as an
5 example, but it takes time to withdraw these services
6 that were required, and it is not in the national interest
7 at all that these services be maintained, they are not
8 required. However, in the transitional period I am
9 suggesting to you they cannot be changed overnight.
10 In the transitional period, economically and equitably
11 and in the national interest they should continue as
12 they have in the past, to be taken care of on the unitized
13 basis of railway transportation.

14 A. No, our position is that they should not.

15 Q. Well, why not? They contributed, Mr. Kirk,
16 to reducing freight rates in the past, they were profitable,
17 but now that they are in the transitional period on the
18 other side of the circle they are not profitable, why
19 should their losses not be taken in?

20 A. Because our interest at the present time
21 is in avoiding and preventing further increases in freight
22 rates.

23 Q. But if the freight rates were lower in
24 days gone by when passenger train services were profitable,
25 you have no basis in logic to support the situation that
26 because they have now, on account of the fluctuation of
27 time and technology become unprofitable, that there
28 should be a different rule applied. Surely the
29 Canadian Federation of Agriculture does not want to have
30 its cake and eat it too, does it?

A. Our position is that the situation as
it stands now should be dealt with as it stands now.



1
2 Q. Irrespective of what may have occurred
3 in the past?

4 A. In respect of this particular logical
5 progression that you are making, yes.

6 Q. In respect of matters but irrespective
7 of what occurred in the past that matters should be
8 looked at as they exist today?

9 A. No, I said that in connection with
10 this particular question, the passenger deficits that
11 you are raising, we do not think that the proposition
12 that you make that if the passenger traffic in the
13 past has contributed to limiting what the level of
14 freight rates would otherwise have been, we do not
15 think this is a case for an increase in freight rates
16 now in this transitional period you are talking about.

17 Q. Well, then, let me ask you this: Your
18 basic proposition is that passenger train service should
19 stand on its own feet and then that being so, the railways,
20 and I think you will agree with this, should be encouraged
21 to put it on its own feet and when the services are
22 not required, to discontinue services when they are not
23 required?

24 A. That is right.
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2 Q. One of the ways that would assist in
3 doing this, I suggest to you, Mr. Kirk, would be to have
4 the Railway Act state that when the Board considers the
5 discontinuance of a passenger service that is operating
6 at a loss any person opposing it should have the burden
7 -- the statutory burden -- of proving why it should be
8 continued. That would be the person who would best know,
9 he having raised the issue of necessity? Would you
10 agree to that?

11 A. Well, I think those who claim that the
12 service must be continued must show good reason for that.

13 Q. Well, I am suggesting, to make it clear,
14 that it be set out in the statute. Would you agree with
15 that?

16 A. I hadn't thought of it as a statutory
17 proposition.

18 THE CHAIRMAN: May I ask, Mr. Sinclair, if
19 you are submitting a proposed amendment there?

20 MR. SINCLAIR: Yes, that is right.

21 THE CHAIRMAN: Have you that amendment now?

22 MR. SINCLAIR: No.

23 THE CHAIRMAN: You haven't?

24 MR. SINCLAIR: No. I have the conception of it.

25 THE CHAIRMAN: You might submit that to Mr.
26 Kirk.

27 MR. SINCLAIR: I haven't got the wording, but
28 the principle is as I have put it to the witness.

29 THE WITNESS: I think that evidently the logic
30 of our position on passenger service is that the services



1
2 which the railways, in their economic interest, should
3 discontinue -- that it is not essentially the railways'
4 responsibility to judge the public interest in this
5 thing.

6 Q. And they shouldn't have the burden of
7 trying to meet it, and the person who brings it up
8 should be required to prove it?

9 A. Yes; I think there should be physical
10 procedure for ensuring that this opportunity is avail-
11 able. I don't know precisely what kind of procedure
12 you are talking about, but I certainly would go along
13 with the proposition that it is not the railways'
14 responsibility to decide on the public interest.

15 Q. Or to try to establish that there is
16 no public interest involved, or to try to meet vague
17 suggestions of national interest when these are alleged
18 and try to meet them?

19 A. Provided you can ensure that the question
20 is dealt with in an adequate and orderly fashion.

21 Q. Thank you, Mr. Kirk. The next point I
22 wish to deal with is in respect to branch lines. You
23 have said that there are certain branch lines which are
24 not required. You said to Mr. Cooper that there were
25 branch lines that were not economic. I take it you
26 mean not economic under a cost situation as compared
27 with any alternative method of moving the traffic off
28 the branch? Would that be what you mean when you
29 talk about branch lines not being economic?

30 A. Well, I meant in a general sense where a



1 branch line is clearly ---

2
3 Q. Not paying its way?

4 A. --- is clearly not paying its way on
5 a sufficiently comprehensive basis, looking at the
6 question.

7 Q. If it is not paying its way and the rates
8 for traffic moving over it are just and reasonable then
9 you say it should be abandoned, and I think you qualified
10 that only in respect of the fact that before the aban-
11 donment was permitted I think you said there should be
12 an opportunity for consideration to be given to the
13 economic consequences of the abandonment of the line and
14 the effect on the users of the line. Is that a correct
15 summary of your position?

16 A. Our position is that we believe a satis-
17 factory operation of the railways will involve a reduc-
18 tion in branch line services in a number of instances,
19 but there are community and economic consequences to
20 the user -- to the public in the area of the branch
21 lines -- that must be taken into consideration in
22 equity to them before any such move is taken. That
23 is our position.

24 Q. Would you go along with this and say that
25 these considerations are the considerations, as you say,
26 of the people in the community served by the branch line
27 that must be taken into consideration -- that, again,
28 these people should have the statutory onus of showing
29 that the economic consequences and their need for use
30 were such that they required the railways to maintain the



1
2 operation of the branch lines, and that that be spelled
3 out in the statute?

4 A. Well, I rather hesitate, myself, to say
5 Yes or No in connection with a statement of statutory
6 onus. This is a question of the wording of the legis-
7 lation. But, again, the essential point we make is
8 that adequate and orderly procedure must be established
9 for carrying out any programme of branch line abandon-
10 ments.

11 Q. My point to you is so that the railways
12 can proceed in an orderly way and the Board can proceed
13 in an orderly way and the procedures be delineated in
14 an orderly way, then the person claiming that there is
15 economic justification for the continuation of branch
16 lines, notwithstanding the fact that the railways say
17 they are running at a loss -- the burden, or the onus,
18 of proving that should be on the person alleging it,
19 and that that should be delineated in the statute, as
20 a matter of principle.

21 A. Well, I could be wrong, but it seems to
22 me that when you put it in that way you are rather
23 raising the question of the establishment of the
24 particular criteria of the proof that must be made by
25 the users of the road, and I think that ---

26 Q. By the users of the branch line?

27 A. By the users of the branch line. It is
28 my reaction that such a procedure could be so set up as
29 to really improperly jeopardize the position of those
30 people if it is in a sort of rigid, formalistic form,



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2 inasmuch as the community or the people involved in it
3 might find a great deal of difficulty in adequately
4 dealing with all these criteria; and certainly such a
5 situation shouldn't be allowed to develop. The procedure
6 should be such that it -- for example ---

7 Q. It should be such as ---

8 A. The procedure should be such that the
9 meeting of excessive technical requirements and rigid,
10 formal criteria didn't essentially result in jeopardizing
11 the position of the people in the community.

12 Q. What I take you to say is that if the
13 legislation was properly drafted in principle you would
14 have no objection to the onus being on the people who
15 are alleging it so long as there was adequate safeguards
16 that their case could be heard and they were given a
17 full opportunity to present their reasons? Is that
18 your position?

19 A. Well, my position is that it is the
20 interest of the community that must be considered.

21 Q. And that as long as they were given the
22 opportunity to have that adjudicated and dealt with by
23 an impartial tribunal like the Board of Transport
24 you would have no objection to the delineation in the
25 statute of clearcut procedure that everybody will know
26 where they stand?

27 A. Yes; and so long as their interest is
28 properly considered and dealt with and that too much is
29 not laid on the people in the community in the way of
30 technical knowledge and that kind of thing.



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2 Q. Yesterday I said to you that I would
3 discuss this question of productivity with you today, and
4 in accordance with my statement to you I now intend to do
5 that.

6 Page 16 of your brief, I think, is where you
7 deal with that, in paragraph 43:

8 "Technological improvements have not been
9 adopted rapidly by the railway companies and
10 increases in productivity have not kept pace
11 with costs,"

12 you say. Now, Mr. Kirk, assuming that an industry
13 is in financially sound position at the commencement of
14 a period any increase in costs, including costs associa-
15 ted with securing increased productivity that are offset
16 by productivity increases would result in no necessity to
17 increase charges?

18 A. Quite right.

19 Q. That is an economic truism that is
20 applicable to railways, to oil companies, to refining
21 companies, to banks, to implement manufacturers, to
22 farms, or any other business; is that correct?

23 A. Yes.

24 Q. Now, I am sure it would be of assistance
25 to the Commission if you would tell them whether pro-
26 ductivity in any of these industries I have mentioned
27 -- and maybe you would like to note them down: oil
28 companies, refining companies, banks, implement manu-
29 facturers, farms -- has been sufficient to make it
30 unnecessary for them to increase their charges in



1
2 the postwar period?

3 A. The general position has been inflationary.

4 Q. Yes, and what has been the increase in the
5 charges, for instance, of the implement industry, per-
6 centagewise? We will take a well known thing that a
7 farmer buys; we will take a combine that he bought in
8 -- take the base 1947 and 1948 and what he pays for it
9 today. What is the percentage increase in price?

10 A. I don't have that precise figure. It
11 has been a very substantial figure.

12 Q. Over a hundred per cent?

13 A. Since 1947 to today?

14 Q. Yes -- a 13-year period.

15 A. I don't know; I don't think it has reached
16 a hundred per cent.

17 Q. You don't know?

18 A. No.

19 Q. You don't think it has quite reached a
20 hundred per cent?

21 A. No.

22 Q. But it is in the neighbourhood; is that
23 what you are saying? I am not wanting to pinpoint it
24 on fractions?

25 A. Well, I just don't know the answer to that;
26 and the changes in machinery make it very difficult to
27 make an exact comparison in that respect.

28 Q. Well, let us go to an easy one. Go to
29 the banking business. The banking business in 1947
30 didn't charge for cheques on personal savings account,



1
2 and now they make a charge so there is no question
3 that has certainly increased more than 100 per cent;
4 that is one aspect of the banking business. And the
5 reason the banks advance for imposing
6 this charge is because of increased costs.

7 A. That is the reason they give for making
8 the charge.

9 Q. And you don't object to that?

10 A. I don't object, did you say?

11 Q. Yes.

12 A. Well, I may object, but it certainly
13 happens, as it happens all through the economy.

14 Q. And you don't object to the banks
15 applying the normal economic law of recouping costs from
16 the charges they make on the people who use their ser-
17 vices, do you?

18 A. I wouldn't take the position that I am in
19 full-fledged opposition to the entire pricing system,
20 no.

21 Q. And you wouldn't object to the implement
22 dealers increasing their charges for a combine to
23 maintain their position in the economy as financially
24 sound manufacturing institutions?

25 A. A great many of our people have objected
26 to this very strenuously.

27 Q. They have objected to it?

28 A. Yes.

29 Q. They wouldn't object to the pricing system
30 of the economy but they would object where this pricing
system pinches them? Is that what you are saying?



1 A. The Canadian Federation is not a revolu-
2 tionary organization in the sense you are suggesting, no.

3 Q. Sometimes I wonder. But let me see
4 if you have thought your way through this. The Canadian
5 Federation deal with those basic institutions that are
6 used by the farming community. We have the banks, we
7 have the oil industry. Do the farmers object to the
8 oil industry imposing increased cost in their price of
9 gas and oil -- petroleum products -- burnt in cars and
10 in tractors used on the farm? Are they objecting to
11 that?

12 A. Well, the position of the farmers in
13 this has been that they have, of course, objected and
14 have objected seriously to the fact that their costs
15 were raised out of proportion to their price; and I
16 would add to that that they have, let us say, at least
17 wondered if all these increases in price were actually
18 necessary.

19 Q. Have the Canadian Federation taken the
20 position that implement prices should be frozen, ~~that~~
21 banking service prices should be frozen?

22 A. No, they have not.

23 Q. That oil and gas prices should be frozen?

24 A. No, they have not.

25 Q. Or that the price of any other commodity
26 or any other service that enters into their productivity
27 costs should be frozen, other than freight rates?

28 A. No, they have not.

29 THE CHAIRMAN: I think we will adjourn now.

30 ---Short recess.

(Page 10248 follows)



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2 Q. Now, we were talking about your paragraph
3 - and there are other places in the brief where similar
4 reference is made; for example, your paragraph 89.

5 I think I should have them before you both together.

6 That is questions of productivity and also questions
7 of modernization. It is paragraph 89 at page 33 and
8 paragraph 43 at page 16. You make two points:

9 1. That the railways have not increased their productivity
10 to a degree sufficient to enable them to offset cost
11 increases, and the second point is that they have not
12 applied technological changes as rapidly as in the
13 United States and they have not modernized their situation
14 as rapidly in the United States. Is that a proper
15 way of summarizing your position?

16 A. Yes, this has been our understanding.

17 Q. Now, that has been your understanding.
18 Have you, in regard to the application of these techno-
19 logical matters, such as mechanization, made any study
20 as to the economic results of the applications in the
21 two countries, dependent upon, first, labour rates,
22 Canada versus the United States? This is an important
23 factor in determining the degree of mechanization, for
24 instance?

25 A. Labour wages?

26 Q. Yes.

27 A. No. The answer to that is that we have
28 not made a study of this question of the technology
29 of the railroads, a detailed study.

30 Q. But this question of the labour factor
is a very necessary one to consider in studying



1
2 the economics of applying mechanization, for instance, is
3 it not? As an economist you know that is one of the
4 basic things you look at.

5 A. Yes, of course, the position of labour
6 wages.

7 Q. And another factor would be the volume
8 over which you can spread the capital costs, that is
9 density factors. Have you looked at that, Canada versus
10 the United States?

11 A. No, we have not made this kind of study.

12 Q. Did you know that Canadian Pacific has
13 the most complete application of integrated data process-
14 ing of any railway in North America? Did you know
15 that?

16 A. I didn't know that, no. I knew, I heard
17 that there was a first-class data processing procedure in
18 the C. P. R.

19 Q. And it had the first high-speed computer
20 in Canada. Did you know that?

21 A. No, I did not know that.

22 Q. And did you know that Canadian Pacific
23 has the largest or second largest fleet of self-propelled
24 rail diesel cars in the North American continent. It
25 may be exceeded. Did you know that Canadian Pacific
26 had some 54 diesel units?

27 A. No, I am not claiming detailed knowledge
28 about the technology of the railways in the United
29 States or Canada. Our position on this was simply that
30 we had taken from or pointed out in a 1957 study that,
in the opinion of those making that study, there had been



1
2 a lag, and I believe we suggest that is something we don't
3 pretend we are competent to do at the present time. But
4 we think it is a relevant thing and it should be looked
5 at very closely by the Commission.

6 Q. You are not suggesting that the Canadian
7 Pacific in particular has been managerialwise deficient
8 in applying technology and organization to meet the
9 requirements of the Canadian travelling and shipping
10 public so that they can provide service at the lowest
11 possible cost?

12 A. We were not implying criticism of the
13 management of the railway particularly, no.

14 Q. You did know this, that Canadian Pacific
15 led the major railways in North America to establish the
16 right to operate freight and yard diesels without firemen?

17 A. Yes.

18 Q. And there are a number of others, I suggest
19 to you, with complete knowledge of the situation, might
20 lead you to quite opposite conclusions to those which
21 you have seemed to have drawn here, that your position
22 is that all you really meant here was that the Commission
23 should look into it?

24 A. That the Commission should look into it,
25 and from other observations it seemed to us that there
26 were indications that there was scope.

27 Q. I put this to the Prime Minister of
28 Ontario, and I think I can put this to you as a farmer.
29 It is quite usual, for instance, for city people who are
30 not expert at farms to suggest that farmers did things
and if they applied themselves with more knowledge or



1
2 applied themselves with greater aggressiveness, many of
3 the problems would be solved. You have heard that?

4 A. I have indeed.

5 Q. And what your answer is is that if they
6 knew what they were talking about and knew all the facts
7 they wouldn't make those suggestions.

8 A. That is right.

9 Q. Now, Mr. Kirk, at your request some months
10 ago, at your specific request some months ago, you wrote
11 to me and you said: "Mr. Sinclair, I am interested in
12 the cost studies for the movement of grain to export
13 positions in western Canada. Would you please see that
14 I have all the material that has been developed on this
15 so that I can have it."and, I presume, work on it
16 and study it. You remember asking me that?

17 A. I do, yes.

18 Q. And you remember getting this material from
19 me?

20 A. Yes, sir.

21 Q. Now, you have suggested in your brief in
22 paragraph 62 that the cost study has allocated, the cost
23 of moving grain, an excessive amount of constant cost.
24 Now, you will recall, Mr. Kirk, that that material that
25 I sent to you showed that constant costs for the movement
26 of grain was on the basis of a factor of variable cost
27 of study traffic to the total freight variable cost,
28 and that this substantially understated the proportion
29 of constant costs that would and should be applied to
30 grain if the basis adopted by bureaus that have studied
the matter should be adopted, namely, a ton and ton-mile
basis?



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2 A. Yes.

3 Q. And, notwithstanding that, it was suggested
4 by a witness that that was something in the neighbourhood
5 of \$10 million. Do you remember that evidence?

6 A. I remember that, yes.

7 Q. And, notwithstanding that, you still
8 in this brief say that constant costs charged to the movement
9 of grain traffic is excessive, and so therefore I take it
10 that you have a different way of doing it that would
11 properly and reasonably result in the proportion of
12 constant costs to be charged against grain, and I am sure
13 the Commission would be interested in having the result
14 of your studies and considerations. What is your
15 proposal on the matter?

16 A. Well, our thought on this - and I am not
17 going to pretend to have had the opportunity to give
18 these studies the very extensive study that obviously
19 could be given to them over months of time, because it is
20 a highly complex technical matter.

21 Q. You have had them for months.

22 A. Yes, but I have not had the time to devote
23 exclusively to them or anyone in our organization. But
24 our thought was that, in the first place, it would seem to
25 us in a general way that the nature of the grain traffic,
26 the well-defined destinations of it and uniformity of its
27 handling, the almost entire ownership by other than the
28 railways of the facilities required to unload and load
29 and store grain, inclined us to feel that probably it
30 would not be proper to allocate this full percentage
on this basis you mentioned to the grain, it would be
excessive.



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2 Q. You have knowledge, have you, that the way
3 it was done was on the variable proportion of grain to
4 variable proportion of all traffic?

5 A. That is right.

6 Q. And even if it was on a ton and ton-
7 mile basis, don't you think that would properly reflect
8 all the volume of the movement and its defined basis and
9 the numerous things that you have mentioned? Have
10 you thought this through, Mr. Kirk, or is this just an
11 idea you have?

12 A. Well, it strikes us that you have a national
13 railroad system that has a great many facilities and a
14 great deal of detailed problems in connection with a
15 tremendously varied handling of traffic, much of it through
16 your own plant facilities. Now, this is not true: The
17 western grain movement is a highly uniform movement
18 through facilities owned by others, and this was the
19 basis of our statement there, plus the fact that we didn't
20 think much of the amount of interest, of the ten per cent
21 cost of money that was put into both the variable and,
22 as we understood it, a proportion of the constant costs.

23 Q. Have you made any study of the capital
24 studies?

25 A. No, sir. We simply do not think that
26 in trying to arrive at some kind of a cost for handling
27 Crow's Nest grain, which, as I have so often pointed out,
28 is a statutory rate - we simply do not think that a cost
29 of capital plus an allowance for payment of income tax is
30 a satisfactory way of arriving at a cost for this movement.

Q. What would your suggestion be?



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A. Of course, our fundamental suggestion is that these rates be left where they are.

Q. We understand that, and that is the suggestion also of the Canadian Pacific Company right from the outset of these proceedings; we made that clear.

A. Yes. Well, we do not --

Q. It would be one thing, of course, if the railways were suggesting that a level of rates that they were putting forward were to be paid by the farmers, and then you would have to consider, in view of special considerations, the economic results that would flow from that. But then another thing to determine --



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2 THE CHAIRMAN: I think, in all fairness,
3 that what you suggest is that the charge to the farmer
4 be the same but that the rate be doubled.

5 MR. SINCLAIR: The rate to be --

6 THE WITNESS: Yes, I understand.

7 THE CHAIRMAN: The rate is to be doubled?

8 THE WITNESSSS: Yes, as I understand it.

9 MR. SINCLAIR: That is right.

10 Q. But, you see, Mr. Kirk, for instance,
11 you say that this grain traffic, and since the level was
12 established, the average number of cars of grain have
13 greatly increased and cars hold about double the amount
14 of grain. Would you be surprised to find that the
15 loading of cars other than grain have increased more
16 than grain -- that the load on other carload traffic
17 per car has increased more than grain?

18 A. Yes, I would.

19 Q. You have never made any comparative study?

20 A. No.

21 Q. Is it the suggestion of the Canadian
22 Federation of Agriculture, for instance, that if grain
23 were moved in tonnage trains, for instance, on four-unit
24 diesels instead of the way it is handled on Canadian
25 Pacific, or if it were held back and moved in solid
26 trains of grain, would the cost, therefore, be lower?
27 Because I am going to suggest to you that if you study
28 it you will find the cost would be higher, rather than
29 what you would expect. This, I would say to the
30 Commission, is evidence we will be giving, but just to
follow the suggestion made by one of the Commission
in some of the questions I have put, I have arranged to



1
2 do this and I will be glad to produce that evidence.
3 You have not made this kind of study?

4 A. No, I haven't.

5 Q. What this whole paragraph really comes down
6 to is that you are really shocked to find that the facts
7 of life show that grain costs about one cent per ton-mile
8 if it is to meet that cost and stand in its proper place
9 in the rate structure; that is a bit of a shock to any
farmer?

10 A. No, that is not quite what it comes down
11 to. We did, in the amount of looking at this which we
12 were able to do -- which I admit is pretty limited --
13 this was the way it struck us, that there were very
14 possibly overstatements of the cost in these respects,
15 but that more importantly, we say, I think, "However,
16 this is a complex matter on which work is being done and
17 we are confident that expert analysis will show the
18 railways' estimates to be too high." If we are wrong
19 there, then we are wrong, but we are confident that the
20 analysis made by the railways will be subjected to
adequate scrutiny.

21 Q. The Commission has advised the parties,
22 and I do know that their technical staff are going into
23 this, and, as a matter of fact, members of their
24 technical staff have spent considerable time with the
25 railways on this costing, including some members of the
26 Commission itself, and you are quite happy if the result
27 of that is looked into? All you are saying is,
28 "Here are some matters which we think should be looked
29 at"?
30



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2 A. That is right.

3 Q. That is all you are saying?

4 A. That is what we are saying.

5 Q. And you have no specific suggestions of
6 other techniques or methods to be used?

7 A. No, sir.

8 Q. As a matter of fact, as an economist,
9 Mr. Kirk, would you like to tell the Commission what
10 you think of the detail of the cost analysis that was
11 made? Have you ever seen a better one?

12 A. Well, of course, I am not an expert
13 on cost analysis, and I don't have a basis of comparison for
14 judging the cost analysis to go on.

15 Q. But you could not find any specific
16 conception or method that you were able to suggest to
17 the Commission that would more truly represent the cost
18 of handling grain?

19 A. No, I can't say that I have arrived at
20 such a recommendation, no.

21 Q. Mr. Kirk, in a number of places throughout
22 your brief, and indeed you will find this generally
23 from a number of farm organizations in western Canada,
24 and also from certain sections of the west, and, every
25 once in a while, even some people from the maritimes
26 fall into what I suggest is an error, and that is, to
27 describe the railways as instruments of national policy.
28 You, for instance, do that in a number of places, and I
29 don't think it is necessary to pinpoint it; page 31
30 is an example, paragraph 81:

"Since they are instruments of national policy"

I suggest to you that the railways are not



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2 instruments of national policy, but they have been
3 used as instruments for national policy; would you agree
4 with that?

5 A. Well, it seems to me, if an organization
6 is used as an instrument for national policy, that it
7 becomes an instrument of national policy.

8 Q. That is your answer?

9 THE CHAIRMAN: Are we not dealing now in
10 semantics?

11 MR. SINCLAIR: I don't think so, sir. I
12 think it is very basic, and it goes right to a certain
13 philosophical approach and an ideological approach to the
14 situation put forth.

15 Q. There is a great deal of difference in
16 saying the Canadian Federation of Agriculture is a
17 federation of farmers, isn't it -- because you are not
18 one, and we have proved that -- and to say it is a
19 federation for farmers, which you are? The concepts
20 are quite different, aren't they?

21 A. But so are the words: The word "instrument"
22 does not appear in there.

23 Q. All right, that the Canadian Federation
24 of Agriculture is an instrument of farmers: Do you
25 think it is -- and I don't want any rude remarks?

26 A. I would say that if you said the Canadian
27 Federation was an instrument for farm policy that it would
28 be an instrument of farm policy.

29 THE CHAIRMAN: I think you can leave that
30 with us; we can deal with the meaning of it.

MR. SINCLAIR: Very well, Mr. Chairman, because



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2 it goes from this, and I would ask the witness these
3 questions.

4 Q. If Canadian Pacific, as a private corpora-
5 tion, undertook certain obligations -- for instance,
6 building a transcontinental railway, and before they
7 took those obligations and assumed the risks consequent
8 thereto, they required certain considerations to pass to
9 them before they undertook those risks -- this is the
historical fact to which you have agreed -- yes?

10 A. That happened, yes.

11 Q. Well, then, the instrument for national
12 policy was the building of a transcontinental railway
13 -- the instrument of national policy was the building
14 of the transcontinental railway, and that having been
15 done, the company that built it and the railway that
16 was built does not make that railway an instrument of
17 national policy, does it, because to build it was the
policy?

18 A. Yes, the achievement of a national trans-
19 continental railway was the national policy, and the
20 railway became the instrument for achieving that.

21 Q. And having achieved it, then, that was
22 finished -- that aspect of national policy?

23 A. You mean that the railway was built
24 and the grants had been made -- yes, it was finished
in that sense.

25 Q. And they were earned by the building?

26 A. Oh, I see. Well, "earned" - I don't know.
27 It was an arrangement and it was carried out.

28 Q. Well, it was an obligation undertaken in
29
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2 consideration of stipulated things which have been done?

3 A. Which were done, yes.

4 Q. And the railways being used as instruments
5 for national policy is reflected, for instance, in the
6 Maritime Freight Rates Act, and this points up the dis-
7 tinction very well. The Maritimes Freight Rates Act,
8 as you will agree, historically, was to compensate the
9 maritimes for the mileage provided through the
10 Intercolonial, but subsequent to that time, historically,
11 short run mileages that obviated any such subsidy on that
12 basis developed; for instance, the Canadian Pacific
short line and the Canadian National short line?

13 A. Yes.

14 Q. But the Maritime Freight Rates Act has
15 continued to be used to assist the maritime provinces;
correct?

16 A. That is right, yes.

17 Q. And the method of giving that assistance
18 to the maritime provinces was to use the railways to give
19 it to the area through reductions in freight rates on
20 certain movements in certain areas?

21 A. That is right.

22 Q. Then, indeed, in your submission, and
23 as you stated here again today, you said if passenger
24 train services are required in the national interest
25 that cannot pay their way and they are a deficit service,
26 then assistance should be given to meet that deficit by
the national government?

27 A. That is what we said.

28 Q. That is your position ?
29
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2 A. Yes.

3 Q. And this would be clearly designated as
4 national interest established to have a certain type of
5 service and the assistance would be earmarked --
6 designated for that service?

7 A. That is right.

8 Q. And this again would be using the method
9 of using the railways for national policy?

10 A. That is right.

11 Q. But would not make them the Department
12 of National Defence, would it, which is obviously a
13 service of national policy?

14 A. No, it doesn't make them a department
15 of government.

16 Q. Or a department of the Canadian people who
17 are merely --

18 A. A department of the Canadian people?

19 Q. A department of the Canadian state?

20 A. Well, that is too difficult a concept for
21 me. I don't know what a department of the Canadian state
22 would be -- of the Canadian people would be.

23 Q. Well, Mr. Kirk, I have one matter
24 left, and that was a matter I dealt with earlier, and that
25 is where you quote, at page 24 and 25, from "The Economics
26 of Competition in the Transportation Industries" by
27 J. A. Meyer, Merton J. Peck, John Stenason and Charles
28 Zwick, and, of course, you recognize one of the authors;
29 he was a witness before this tribunal -- Mr. John Stenason
30 who happens to be the director of economic research for
Canadian Pacific, and you also knew, from reading the



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1
2 foreword, that the basic work on this book was done
3 between Harvard and the Canadian National and a number
4 of officers of the Canadian Pacific. Their names
5 are at the front of this book, and it has been used once
6 or twice.
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(Page 10265 follows)



1 Q. So you have read the book and you agree
2 with the book generally speaking?

3 A. I have not read the whole book.

4 Q. Oh, you have not read the whole book.
5 Well, then, I can quite understand why you made the
6 mistake you did in your brief.

7 A. I did not make a mistake here.

8 Q. Well, we do agree that this citation that
9 you made is in a case shown in the book and decided in
10 1890 and the comment of the authors on that statement
11 was this, and I am quoting:

12 "Since this sweeping statement, the
13 Commission has come to accept ---"
14 Perhaps you should read this statement, the statement
15 which you quoted and which the authors are commenting
16 on:

17 " --- the cost of transportation of any one
18 article of commerce can never be disposed
19 of with any accuracy . . . if the carrier
20 desired to make the cost of any particular
21 traffic appear large or small, it would not
22 be difficult to swell or lessen it by such
23 figures as would appear plausible in each
24 case."

25 The comment of the authors, and that was taken from a
26 case decided in 1890, Haddock versus Delaware, Lacka-
27 wanna and Western Railroad Company, 3 ICR, 311, and the
28 comment of the authors is:

29 "Since this sweeping statement, the
30



1 Commission has come to accept and develop more
2 and more cost information. Nevertheless, the
3 suspicion lingers that railroad costing, because
4 of the fixed and joint cost elements must be
5 always highly arbitrary, and consequently it is
6 undesirable to place primary reliance on observed
7 cost data in rate making. By default, then,
8 the carriers' judgment of rates dominated and
9 these judgments represent an intuitive per-
10 ception of the combined effect of cost and demand
11 factors."

12 Perhaps you will read the last sentence?

13 A. No, I think you could go ahead and read
14 it.

15 Q. I would rather have you read the last
16 sentence if you do not mind?

17 A. I am quite prepared to read it; I know it
18 is there.

19 Q. Well, read it so we will have it completed.

20 A. "As shown in the preceding chapters,
21 however, modern statistical techniques and controlled
22 experimentation provide a workable resolution for these
23 costing difficulties so that cost data can provide a
24 satisfactory framework for rate making policy."

25 Q. Would you agree with that?

26 A. Well, I would certainly be far from
27 claiming that since 1890 there has been no improvement
28 in statistical techniques.

29 Q. That is not my question and I know that you
30 know that it is not. You have read a sentence from the



1 text of Messrs. Meyer, Peck, Stenason and Zwick, and I
2 am asking whether you agree with it?

3
4 A. We did not intend to use a quotation as
5 a judgment on the whole use of cost data as a rate
6 making technique. We simply agreed with the proposi-
7 tion that in costing it is not difficult to swell or
8 lessen cost figures in a plausible way, and that is why
9 we were concerned, that even this highly modern study
10 that has been made on costing be very carefully examined
11 and analysed by the Commission and by others so that we
12 can be certain it is as correct within its own assump-
13 tions as is possible. That is our position.

14 Q. All right, but I want you to tell this
15 Commission whether you agree with this statement:

16 ". . . modern statistical techniques and
17 controlled experimentation provide a workable
18 resolution for these costing difficulties so
19 that cost data can provide a satisfactory
20 framework for rate making policy."

21 Do you agree with that?

22 A. I am not in a position to agree or dis-
23 agree with that. I do know that cost data is not
24 satisfactory in the case of these Crow's Nest rates and
25 I would suspect in a great many other rates that cost
26 data taken by itself I would doubt is a satisfactory
27 basis for rate making policy.

28 Q. In other words, you would disagree with
29 the use of costs as one of the elements in rate making
30 policy?

A. No, I do not disagree with the use of



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2 cost as one of the elements in rate making policy.

3 Q. Well, then, would you disagree with the
4 problems of joint costs and these other difficulties
5 that used to be substantive difficulties where you have
6 production problems and costing problems, would you
7 disagree that these modern statistical techniques and
8 controlled experimentation do not properly meet these
9 problems in a satisfactory manner? Would you disagree
10 with that as a statistician and an economist?

11 A. Well, I am not a statistician. I am
12 sure that there has been great improvement in statistical
13 techniques that lend themselves to great usefulness in
14 arriving at cost data. I certainly am not prepared
15 to take the position that any cost calculation that is
16 made today is necessarily a correct one or an adequate
17 one. I do not know. I am not an expert on this.

18 Q. But, if experts said that it was a satis-
19 factory matter, for instance, experts on the staff of
20 the Commission, you would be prepared to accept that?

21 A. Well, the statement was that it was a
22 satisfactory basis for rate making, and I do not accept
23 that.

24 Q. Rate making policy?

25 A. Or rate making policy.

26 Q. You do not accept that?

27 A. Well, we have one case of rates here and
28 our whole presentation takes that as the sole basis for
29 rate making policy.

30 Q. Well, Mr. Kirk, you have asked me questions



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2 in a discussion of your brief and I will argue that your
3 brief does not say that and neither do your answers if
4 they are properly understood, but I am not going to
5 argue with you. You are not prepared to say that cost
6 is properly determined by the application of modern
7 statistical techniques and controlled experimentation --
8 the cost of moving a segment of traffic on the railway --
9 you are not prepared to accept that. If you are not
10 just say so.

11 A. Well, I am prepared to accept it if you
12 are going to try to arrive at cost at a given rate. I
13 would be completely in favour of using the most modern
14 statistical techniques possible, yes.

15 Q. And that would satisfactorily develop the
16 costs in your opinion?

17 A. I do not know whether that would be satis-
18 factory. I agree with you, this man says they are
19 satisfactory and I have no knowledge to contradict that.

20 Q. And if the Commission staff, as you know
21 they have on their staff very experienced statisticians
22 and economists -- I have seen you speaking to some of
23 them in the court room ---

24 A. Yes. sir.

25 Q. And if they were satisfied this properly
26 reflected costs then the Canadian Federation of Agri-
27 culture would be prepared to accept that, would they not?

28 A. I think the Commission will have to arrive
29 at a determination of whether it is an adequate study or
30 not technically speaking.



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2 Q. And having arrived at a basis that is
3 to their mind satisfactory, the Canadian Federation of
4 Agriculture would not object to that, would they? They
5 would not have any suspicion of this Commission not
6 doing a proper job?

7 A. We are not going to suspect the Com-
8 mission, sir.

9 Q. Thank you very much, Mr. Kirk. I am
10 sorry I have taken so long.

11 MR. KIRK: It has been a pleasure.

12 THE CHAIRMAN: Mr. Balch?

13 COMMISSIONER BALCH: I have a couple of
14 questions.

15 BY COMMISSIONER BALCH:

16 Q. Mr. Kirk, I notice that the Federation
17 uses an Americanism "featherbedding"?

18 A. We did, yes.

19 Q. Would you not agree that in the advent of
20 the technological changes that a certain amount of time
21 must take place for an adjustment in the working force
22 or would you suggest that in the adjustment labour should
23 be thrown on the labour market immediately? This
24 applies to banking or any other business.

25 A. Yes, and to agriculture.

26 Q. What I wanted on the record was right
27 up to 1959 both railways, Canadian Pacific and Canadian
28 National, have 34,881 less employees now than they had
29 in 1952, so you can see there must have been an adjust-
30 ment somewhere with both railroads?



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2 A. Yes, sir.

3 Q. I just want those figures so the Federa-
4 tion will see that there is an adjustment made with a
5 great amount of unemployment?

6 A. Yes, sir.

7 THE CHAIRMAN: Mr. Gobeil?

8 BY MR. GOBEIL:

9 Q. Mr. Kirk, you were questioned by Mr.
10 Sinclair on paragraph 56, where he was comparing the
11 efficiency of the Canadian grain grower with the
12 American grain grower, and you said that if the
13 Canadian grain growers had the same assistance as is
14 given by the United States government to the American
15 grain growers that they could compete on the world
16 markets. Has your Federation considered the oppor-
17 tunity of having such an assistance, similar assistance,
18 which is given in the United States to be given to them
19 so they can pay higher freight rates?

20 A. I expect you are well aware that the
21 western grain growers, supported by our entire Canadian
22 Federation of Agriculture, have made major requests for
23 assistance, and are making them now to the federal
24 government, for assistance to the grain growers.

25 Q. You are asking for that?

26 A. These are being made and have been made
27 but not in relation, of course, to this -- not on the
28 same basis, not as a supplement to the price that has
29 been paid on grain during the last years, what they
30 call a deficiency payment.



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2 Q. But you have not asked for any assistance
3 which would take care of any freight rates for grain
4 transportation which might be unremunerative? For
5 this you did not ask?

6 A. No, this has been related to the income
7 and price and cost position of the farmer, it has not
8 been dealt with in relation to the rate question.

9 Q. Would the Federation want that same
10 direct assistance to the grain grower for transportation
11 of grain?

12 A. No. I think our position here is that
13 we do not want that.

14 Q. You do not want a subsidy for transpor-
15 tation which would be known as a subsidy to the grain
16 growers?

17 A. That is right, we do not want it and we
18 do not think it should be so applied.

19 Q. But if the subsidy is given the railroad
20 you do not object?

21 A. We think that properly considered if a
22 subsidy is -- assistance to the railroads, as indeed it
23 could properly be considered assistance to the railroads,
24 as a whole we do not simply think there is a question
25 of a subsidy to the grain growers involved.

26 Q. But to the railroad you would not object
27 to a subsidy?

28 A. We do not object in principle to assis-
29 tance to the railroads, no.

30 Q. And as a way of taking care of that problem



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2 you suggest assistance on the basis of a suitable pro-
3 portion of the maintenance of way costs on the main
4 lines similar to the assistance given to highways.
5 You also even suggest that it might take care of the
6 main line cost and possibly all essential branch line
7 maintenance. If the assistance goes as far as that,
8 all of the maintenance of the main line, do you not
9 think it might be as well if the government would take
10 it over? In answer to Mr. Cooper you also said
11 that your Federation has made a recommendation to the
12 government for nationalization of the railroads.
13 Some people would object but in view of the project
14 of assistance to 100 per cent of the line, your
15 Federation has considered nationalization of the lines
16 only?

17 A. Of the lines, no, it has not considered
18 that.

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21 (Page 10277 follows)
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2 Q. You told Mr. Sinclair that you consider
3 the ten per cent net return a fair return. That is your
4 own view? You are not talking for the federation in that
5 statement?

6 A. It is my own view, yes; but I think --
7 I don't have the transcript here - but my understanding
8 of what I said was that it was a general question; it
9 wasn't related to the railways. Mr. Sinclair was
10 suggesting the proposition of ten per cent rate of return
11 on an investment, and it seems to me I took the position
12 that I wouldn't be prepared to say that this is an unfair
13 return.

14 Q. It think it was on the railways.

15 A. Did he say on the railways?

16 MR. SINCLAIR: Yes; I made it very clear and
17 gave you an opportunity, and so did the Chairman, to
18 change your view; and it is very clear on the record that
19 you would not consider a ten per cent net return unfair
20 to the railways. It is made very clear in the trans-
21 cript. And I must say to the witness that I think it was
22 a very reasonable answer.

23 COMMISSIONER GOBEIL: Q. Do you know what
24 is the average net return of the farmers in the west?

25 A. The average net return on investment?

26 Q. Yes.

27 A. I don't know; it is a statistical matter.
28 I would think well under five per cent.

29 Q. In your paragraph 42 you mention that the
30 United States railways had similar problems as in Canada
and they were making some progress in solving them.



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2 What would be the difference between the United States
3 situation and here? How would they make more progress
4 than the Canadian railways?

5 A. That remark wasn't a comparative remark.

6 Q. Mr. McDonald called your attention to the
7 fact that they have three times more of a return, so that
8 that would mean about 150 million more. That would help
9 to solve their problem more easily than here, would it?

10 A. That they had....?

11 Q. That they were receiving three times
12 more rate for the transportation of grain in the United
13 States than in Canada, which would make some 150 million
14 more.

15 A. It makes the position of the railways in
16 Canada and the United States different in that respect,
17 yes.

18 Q. In your paragraph 66 on page 25 you say
19 that competitive rates and agreed charges place a ceiling
20 on revenue that may put them frequently below fully dis-
21 tributed costs. Was that your understanding of remuner-
22 ative rates? Did you understand by a "remunerative
23 rate" a fully distributed cost rate?

24 A. That a remunerative rate would be a fully
25 distributed cost rate?

26 Q. Yes?

27 A. No, I would not think so. I think that
28 some particular rate might well be set that, as a contribu-
29 tion to the over-all railway position, wouldn't be
30 remunerative on a fully distributed cost basis.

Q. You didn't mean by "remunerative rate" one



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Kirk
(Gobeil)

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2 which was fully distributed, then?

3 A. No, not necessarily fully distributed.

4 COMMISSIONER GOBEIL: That is all, thank
5 you.

6 THE CHAIRMAN: I think we will adjourn until
7 2 o'clock.

8 ---Luncheon adjournment.
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2 ---On resuming at 2.00 p.m.

3 THE CHAIRMAN: Order, please. Mr. Mann?

4
5 BY COMMISSIONER MANN:

6 Q. Mr. Kirk, we have had quite a discussion
7 about the railways being an instrument of or for national
8 policy. I wonder whether the CFA regards not only
9 the railways as an instrument of or for national
10 policy, but whether your organization regards, indeed,
11 transportation generally as an instrument of national
12 policy?

13 A. Well, we regard transportation as a
14 vital matter of national policy, of course; it is
15 always subject to the making of national policy and of
16 what seems best in the national interest. The fact
17 that you don't always have the same corporate entities
18 in trucking as compared to railways, I would hesitate
19 to say that the railways would be an institution, an
20 instrument of national policy in the same sense,
21 especially with the constitutional jurisdiction that
22 exists.

23 Q. In regard to the trucking industry, would
24 you think that highway construction, and so on, should
25 be regarded as an instrument of national policy?

26 A. I would certainly think that in so far
27 as there is a national undertaking in the field of
28 highway construction, which obviously has implications
29 of national policy and should be considered, these
30 implications should be considered -- I think they are



1
2 a policy consideration.

3 Q. I would like to get at this a little more
4 closely, if you will bear with me, Mr. Kirk. There is
5 an historical reason for national policy, according to
6 your brief. I suppose I am right in assuming that
7 when you say the Canadian railways were started by
8 government aid in the form of cash and land grants,
9 that is why you think they are an instrument of national
10 policy?

11 A. That is part of the reason. Part of
12 the reason also is that it is a regulated industry.

13 Q. Now, if other forms of transportation,
14 as you indeed point out, enjoy various forms of govern-
15 ment assistance, does that make them instruments of
16 national policy? Now, just to specify, let us take
17 Trans-Canada Air Lines and Canadian Pacific Airlines.
18 They enjoy, directly or indirectly, government assis-
19 tance. Does that make them instruments of national
20 policy?

21 A. Yes, I would think so. In the case of
22 the air lines, you have a situation where the govern-
23 ment undertakes to regulate where the planes may fly,
24 what companies may operate what air lines for a good
25 many years. It gave a monopoly position to one air
26 line, and to some extent that still exists, and I
27 think the government is deeply involved in policy in
28 this sense, and also, of course, in the operation of
29 meteorological services at airports, and I think, put-
30 ting all these things together, that is what I mean,



1
2 that these matters necessarily become matters of
3 national policy.

4 Q. Do you think that there are perhaps two
5 aspects regarding transportation as instruments of
6 national policy? Can you say that transportation is
7 an instrument of national policy in its early stage and
8 ceases to be a national policy once the agency, helped
9 by the government, has come to an end and the industry
10 has come to a mature stage?

11 A. I can see an industry where that has taken
12 place, but I don't think that has taken place in the
13 railways. I think they continue as an instrument of
14 national policy.

15 Q. Assume with me a state of affairs where
16 you have a state of perfect competition, that is con-
17 ditions compatible as to one carrier with another, would
18 transportation be as important then as an instrument of
19 national policy, or could you rely on competition to
20 protect the public interest?

21 A. Well, I am not sure you could altogether.
22 Of course, it would be quite a different situation in
23 some aspects of the problem in that some of the problems
24 might be less acute in the public interest, but they
25 wouldn't necessarily eliminate these questions or
26 a question of the advisability of government action in
27 some form to modify the effects.

28 Q. On page 3, Mr. Kirk, in paragraph 6,
29 towards the bottom of the paragraph, you say:

30 "The transcontinental system with its branch



1
2 lines enabled agricultural settlement to reach
3 most of the areas in Canada suitable for farming
4 and provided an interprovincial bond that has
5 contributed to Canada's nationhood and to the
6 realization of an economically workable and
7 prosperous new dominion."

8 If one were to assume a situation where the
9 country had to be settled today with the agencies of
10 transportation and the distribution system at our com-
11 mand today, would you envisage this transcontinental
12 system with its branch lines would look different,
13 radically different?

14 A. I am sure it would look considerably
15 different; it would be a considerably different situation.
16 I wouldn't be prepared to say just in what terms.

17 Q. I have a question, Mr. Kirk, with regard
18 to some of the statements you made, starting at page 5
19 and culminating at page 6. In paragraph 13 you point
20 out the financial position of the agricultural industry,
21 and in paragraph 15 you draw the conclusion or you
22 state that you point these things out, the economic
23 situation of the farming industry, because you think
24 that they have a legitimate relevance to the determina-
25 tion of public policy in the field of freight rates.
26 The question which arises in my mind is: does this mean
27 that in some manner freight rates should be tied to
28 commodity prices?

29 A. We certainly don't mean in any direct
30 sense they should be so, no.



1
2 Q. And then you say longer runs reflect the
3 price level of the industry?

4 A. I think not necessarily, but to that I
5 would add that the welfare -- I mean, to be related in
6 any sense of a formula to prices, I would not think
7 this would be a very valid proposition. But I do think
8 that is a matter of public policy and it is always
9 valid to consider the position of an industry in re-
10 lation to its transportation costs and, if necessary,
11 take public or regulatory action to protect that industry
12 for a sufficient reason.

13 Q. This could be done also in a value of
14 service rate structure than a cost of service rate
15 structure, could it not?

16 A. I would think it would be more easily done
17 than if you had established a cost of service principle
18 has a rate making base, yes.

19 Q. You see, on page 23 you state that there
20 has been a breakdown of the effectiveness of the
21 differential pricing system upon which the railways were
22 built. I wondered if that meant that the Canadian
23 Federation of Agriculture would advocate a departure
24 from the differential pricing system as we know it today
25 and a turning towards the cost of service principle.
26 I understood you were not advocating that?

27 A. No. I rather think that there was an
28 increase in pressure to a cost of service principle in
29 this consideration, perhaps a tendency on the railways
30 to look to this principle. But our point is, I think,



1
2 essentially that when you have had a country developed
3 on the basis of this other system, to turn to this cost
4 of service principle, the application of it can have
5 very serious and inequitable consequences.

6 Q. Could you elaborate on some of these
7 inequitable consequences?

8 A. Well, the proposal with respect to the
9 Crow's Nest rates represents an attempt to apply in
10 a form the costing principle, and it is our opinion that
11 this is not a sound principle to apply because it
12 leads to this position where you are contributing a
13 subsidy to the grain farmer.

14 Q. Turning to paragraph 78 on page 29, you
15 say in paragraph 78 that transport policy should continue
16 to ease the heavy transport costs incurred by regions
17 outside the central portions of Ontario and Quebec.
18 Now, I suppose the measures you have in mind are the
19 bridge subsidy, the Maritime Freight Rates Act?

20 A. That is right.

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24 (Page 10290 follows)
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2 Q. That is what you have in mind?

3 A. Yes, that is what we had in mind.

4 Q. Still in paragraph 78, you say,

5 "Horizontal rate increases that add to the inequities
6 borne by agriculture, and the further erosion of
7 railway traffic should be discouraged."

8 That, as I recall it, was essentially, perhaps,
9 what the Turgeon Commission said. Have you given any
10 thought as to whether there should be statutory prohibition
11 of horizontal rate increases?

12 A. No, we didn't consider that as a propos-
13 ition. Some statutory provision might be required to
14 implement the kind of recommendations we are making,
15 but we hadn't considered it in this sense of a particular
16 form of statutory prohibition.

17 Q. You think the question should essentially
18 be left to the Board to determine, do you?

19 A. Well, as I explained earlier, I am not
20 clear as to how the thing should be done, but if you find
21 as a matter of public policy that you got into the field
22 of saying, "We will give some assistance to the railways
23 in some particular form, and that we give it for such
24 and such reasons and on the understanding that such
25 and such things will be done", then you have a situation
26 that must be reviewed, criteria that must be set,
27 arrangements that must be made. I am not at all clear
28 these should all be through the Board. They have
29 implications for rate-making too. Whether it should
30 be done through statutory means -- we haven't really
considered that.



1
2 Q. I just wondered. It is not an essential
3 point. You are dealing mainly with principles, and I am
4 getting into the institutional field, and that is perhaps
5 not quite fair.

6 The sentence following that is interesting, in
7 raising this question: You talk about the government
8 taking comprehensively into account the policy of pro-
9 motion and assistance in improvement of transportation
10 service of all kinds in the national interest. Do you
11 feel the government, in taking comprehensively into
12 account, should apply the same principles to all forms
13 of transportation?

14 A. Well, we didn't put it like that, and the
15 reason we didn't put it like that is because we think it
16 must be taken comprehensively into account, but there
17 are many considerations to be taken into account -- not
18 just economic and political -- very clearly. One way
19 of taking it into account is simply to say, as is done
20 now, that we can do nothing about it, but it still has
21 to be taken into account. I think this is our point,
22 that there is no necessary implication of national
23 regulation.

24 Q. When you take comprehensively into account,
25 would that have implications of public investment -- let
26 me elucidate: Taking comprehensively into account other
27 forms of transportation, when you devise a national highway
28 policy, might lead you to the point where you might not
29 advocate the construction of such and such a stretch of
30 highway because that section of the country is already
served by other means of transportation. Is that what
you mean by taking comprehensively into account?



1
2 A. Yes, that is what I mean.

3 Q. And, vice versa, I suppose you can allow
4 the abandonment of certain railway lines because public
5 investment had provided suitable alternatives?

6 A. That is correct.

7 Q. I think you have already dealt with this
8 but I want to be sure we have covered it. In paragraph
9 90, on page 34, you talk about federal government financial
10 assistance to the railways, and I wondered whether you
11 had given any consideration as to what form that
12 assistance should take; whether it should be an outright
13 gift, low interest loans or free interest loans? Had
14 your thinking gone that far?

15 A. No, our thinking on this had gone this far,
16 that we think that under the circumstances in which the
17 railways operate, and what I believe they would freely
18 admit, is the need for continuing modernization and
19 continued application of capital to their operations.
20 Our point is that in some form assistance in obtaining
21 this capital might very well be justified. This would
22 depend, of course, upon the whole complex of considerations
23 that we have outlined, how much we thought was needed in
24 the way of assistance. Assistance of one per cent on
25 an interest rate would be very much less than the outright
26 grant of the capital, for example. But, that is the
27 principle involved. We think that, in principle, under
28 the conditions we are on, you want to avoid further
29 increases in rates; that where you certainly want to avoid
30 any suggestion that some hypothetical high level of earnings
is necessary for railway modernization, we don't accept



1
2 this as a proposition -- that perhaps the capital should
3 be provided.

4 Q. Is there any connection between this
5 suggestion and the suggestion made earlier that there
6 should be no horizontal increases for a period of years?

7 A. Oh, yes, of course, there is a connection.

8 Q. I have one more question, and that relates
9 to paragraph 94 on page 35, where you say that the airlines
10 have taken over some of the functions of the transcontin-
ental passenger operation, and then you say,

11 "... they cannot by any means, we think, adequately
12 fulfill them all."

13 Addressing yourself strictly to the transcontinental
14 passenger function, why do you think that the airlines
15 cannot fulfill all of the functions presently undertaken
by the railways?

16 A. Well, of course, I think that we are not
17 making a very substantial point here. I think we were
18 thinking of the fact that there are some advantages in
19 that form of transportation for some individuals, and
20 that there are certain really essentially cultural and
21 tourist advantages in continuing this system. However,
22 we would freely grant -- and perhaps, conceivably, some
defence advantages in having the system operational.

23 But, these may not very well be governing considerations
24 for maintaining the system. I don't think we would try
25 and maintain that they were, and our essential point in
26 connection with this is again, of course, simply that
27 this is not a matter essentially of agricultural policy,
28 or of our policy. Our point was, if they are kept for
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reasons of public policy, the deficits should be met by
assistance.

THE CHAIRMAN: Thank you very much, Mr. Kirk.



1
2 SUBMISSION OF
3 CANADA AND DOMINION SUGAR COMPANY LIMITED
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6 Appearances:

7 Mr. M. W. Davidson, Vice-President

8 Mr. C. A. Wilson, General Traffic Manager
9

10 THE CHAIRMAN: Yes, Mr. Davidson?

11 MR. DAVIDSON: Mr. Chairman, my name is

12 M. W. Davidson, and I am Vice-President of Canadian
13 Dominion Sugar, and I am accompanied in this presentation
14 by Mr. C. A. Wilson, our General Traffic Manager. We
15 are not represented by counsel, Mr. Chairman, and we are
16 prepared to endure cross-examination. Contrary to many
17 of the briefs presented, ours is a particular: We are
18 mainly concerned with our company's competitive position,
19 and how the freight rates affect that position. Al-
20 though our appearance here today, Mr. Chairman, has been
21 inspired by proposals that have been made by one of our
22 competitors -- Acadia Atlantic Sugar -- proposals which
23 we feel we must oppose, we would like to make it very
24 clear that we bear no rancour towards our competitor.
25 We would merely like to state our side of the case, as
26 their proposals bear on our company. The Atlantic
27 Sugar is a prospering and well-established company, and
28 we hope their competition will last for a long time
29 because we certainly find it very stimulating.
30



1. On November 10, 1959, Acadia Atlantic Sugar Refineries Ltd. proposed to this Commission that the 30 per cent subvention under the MFRA be increased to 100 per cent. The company argued that it is typical of maritime industry, and that it is operating under a "tremendous disadvantage", and needs this extra subsidization to get into the central Canada market.

2. We wish to show that the Atlantic Sugar Refineries Ltd is not representative of maritime industry in general, that it has been successful in escaping in a large measure successive freight rate increases authorized generally within the maritime provinces, that it has certain distinct advantages of location, and is now actively competitive in central Canadian markets. Thus, a hundred per cent subvention would be disastrous to central Canadian refineries, and indeed the present 30 per cent subvention has been damaging in the way it has been administered. Accordingly, we propose a somewhat different form of administering such subventions.

3. Our company's decision to make this presentation to your Commission can be summed up in a quotation from a speech recently made by C.P.R. President Mr. N. R. Crump. In this he said, "... in the field of transportation, the market mechanism has not been allowed to work in the full measure of its effectiveness and to put transportation in orbit from an economic standpoint, more reliance should be given to market forces and less to arbitrary decisions of government. . . .



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2 You cannot blame a company for complaining when it is
3 taxed to help pay for a subsidy to its competitor . . ."
4 ("Canadian Transportation," December 1959, p. 22.)

5 Canada and Dominion Sugar Company Limited:

6 4. Our company is the oldest and largest sugar
7 refining company in Canada. Our cane refining division
8 consists of two refineries in Montreal and Toronto, and
9 our beet sugar division includes two factories at
10 Chatham and Wallaceburg, Ontario. Beet sugar operations
11 involve five to six thousand sugar beet families who
12 include this crop in their rotation in S.W. Ontario, and
13 the company distributes about \$10,000,000 annually in
14 that section of the province, from its beet sugar
15 division alone. Our largest cane and beet sugar markets
16 are in Ontario and Quebec, although we sell from
17 Saskatchewan to Newfoundland.

18 5. We spent nearly \$1,200,000 in 1958 in railway
19 freight.

20 Acadia-Atlantic Sugar Refineries Limited:

21 6. The Atlantic Sugar Refinery, located in Saint
22 John, N.B., is the operating subsidiary of Acadia-
23 Atlantic Sugar Refineries. It has a protected market
24 in the maritimes for 100 million pounds refined sugar
25 annually, including several confectionery and canning
26 companies which send their products into central
27 Canada. However, Atlantic Sugar sends most of its
28 refined sugar into central Canada, 70 per cent of its
29 output being marketed in Quebec and Ontario.
30



1
2 Location Factors:

3 7. Before comparing refined sugar freight rates,
4 there are several advantages which the Saint John re-
5 finer enjoys over its central Canadian competitors.
6 Detailed calculations and explanations of the methods
7 used in arriving at the following briefly-stated re-
8 sults are attached as appendices. An estimated annual
9 raw sugar melt of 200,000 long tons at Saint John is
10 the basis for these figures.

11 (a) The Saint John refinery has a shorter sea
12 haul for its raw cane sugar; e.g. Saint John
13 is 800 sea miles closer to Kingston, Jamaica
14 than is Montreal. It is estimated that the
15 water freight saving to the Saint John refinery
16 (compared to Montreal competitors) is at
17 least 4 cents per 100 pounds or \$180,000 per
18 year. See Appendix "A". (We estimate the
19 Saint John refinery's raw sugar freight saving
20 over its Toronto competitor is 10 cents to
21 15 cents per 100 pounds.)

22 (b) Saint John receives raw sugar throughout the
23 year, whereas Montreal (and Toronto) refineries
24 must bring in their year's supply during the
25 summer, suffer the added expense of millions
26 of dollars tied up in huge inventories of
27 raw sugar, and the construction and maintenance
28 of storage facilities for the winter. Since
29 the quantities of sugar processed are enormous,
30 this added expense is significant. We



1
2 estimate it at 5 cents per 100 pounds, or an
3 aggregate of \$230,000 per year, for all raw
4 sugar used over the year. See Appendix "B".

5 (c) According to DBS, wage rates are lower in
6 Saint John than in Montreal (or Toronto).
7 These figures suggest labour costs in the
8 Saint John refinery are at least 20 cents
9 per hour cheaper than in the Montreal re-
10 finery (25 cents per hour cheaper than in
11 Toronto). In terms of 100 pounds of sugar
12 these savings are equivalent to 7 cents
13 below Montreal (9 cents compared to Toronto).
14 See Appendix "C".

15 (d) Municipal taxes for the Saint John refinery
16 are fixed by statute at extremely low levels,
17 and are a fraction of those contributed
18 by competitive Canadian refineries to
19 municipalities in Montreal and Toronto. See
20 Appendix "D". We estimate Saint John is 2
21 cents per 100 pounds better off than its
22 Montreal opposition (7 cents better than
23 Toronto).

24 8. In summary, the aggregate of Saint John
25 refinery's location advantages is at least
26 \$830,000 per year, and per 100 pounds is

27 as follows:
28
29
30



Saint John
Advantages

	Compared to Montreal Refinery	Compared to Toronto Refinery
	(in cents per 100 lbs. sugar)	

Less ocean freight on raws	4	10 to 15
No winter raw storage	5	5
Lower wage rates	7	9
Fixed municipal taxes	2	7
Total	18	31 to 36

9. There are probably other advantages that have not been surveyed, but these few clearly show the Saint John sugar refinery has substantial benefits because of its location, and hence should be able to absorb some extra freight into central Canadian markets. Conversely, the Montreal refinery is blocked from effectively competing in the maritimes, because the combination of higher costs and discriminating freight subsidies, necessitates overwhelming absorptions by the central Canadian manufacturer. It is not surprising there is active competition in Ontario and Quebec, but a dearth of it in the maritimes. For maritime consumers, this can be an unfortunate state of affairs.

10. From the standpoint of the maritime economy, it is encouraging to note that, even without freight rate assistance, location attractions assure a continuing and flourishing maritime sugar refinery. This is important to their local food industries, for we submit they need never be afraid of losing a maritime source of supply from a sugar refinery located on the



1 year-round port of Saint John or Halifax.

2
3 11. To this Commission the Saint John Refinery
4 has alleged a "tremendous disadvantage" in freight
5 costs in competing in central Canada, but has not given
6 any actual rates. We shall now prove that the central
7 Canadian refiners have been stripped of any, overall,
8 freight preference that existed at one time because
9 of their geographical position.

10 Changes in Refined Sugar Freight Rates Since 1948:

11 12. By far the most important points where the
12 Saint John and Montreal refineries sell sugar, are
13 the big centres in Ontario and Quebec. Since 1948,
14 rate changes for refined sugar shipped to these centres
15 show that while the Saint John average rates have
16 actually decreased three per cent (Appendix "E"),
17 Montreal refinery rates have increased by 46 per
18 cent (Appendix "F"). The above gives some indication
19 that the Montreal refinery has not been favoured in
20 nearly the same measure as Saint John over the last
21 twelve years.

22 13. Neither has the Saint John refinery's history
23 of rate changes in this period been typical of maritime
24 shippers. In 1958 only 39 per cent of carloads shipped
25 from the maritimes to Canadian destinations under MFRA,
26 moved under competitive rates and agreed charges.

27 (See Appendix "I"). This means, we assume, 61 per cent
28 of the cars were shipped under non-competitive or
29 class rates, and were faced with horizontal freight
30 rate increases since April 1948 totalling up to 112



1 per cent.

2
3 14. The Saint John refinery has done extraordinarily
4 well in the 1948-1960 period, and we are compelled to
5 conclude, their experience with freight rates has not
6 been indicative of maritime shippers generally. The
7 burden of horizontal increases has not been equitably
8 distributed in the maritimes.

9 Freight Rates for Refined Sugar,
10 Saint John vs Montreal:

11 15. At some length we shall first deal with the
12 seven largest, key centres in Ontario and Quebec. We
13 will then document average rates in other territories
14 where the Saint John refinery and our company vie for
15 business. All rates are in cents per 100 pounds
16 refined.
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RATES TO LARGE CENTRES

(a) To Windsor, Ontario:

<u>From</u>	<u>Sept.15/48</u> <u>Rate</u>	<u>Jan. 1/60</u> <u>Rate</u>	<u>Inc.+ or Dec. -</u>
Saint John	\$.50 av.	\$.61 av.	+ \$.11
Montreal	.44	.62	+ .18

Apparent
advantage
for M. .06 S.J. .01

The advantage enjoyed by the Montreal refiner twelve years ago has been reversed in favour of Saint John.

(b) To London, Ontario:

<u>From</u>	<u>Sept./48 Rate</u>	<u>Jan./60 Rate</u>	<u>Inc.+ or Dec.-</u>
Saint John	\$.44 (av.)	*\$.60 (av.)	+ \$.16
Montreal	.32	.58	+ .26

Apparent
advantage
for M. .12 M. .02

*The Saint John rate to London now includes free delivery, reported to be equivalent to 15 cents, so the Saint John rate is, in fact, 13 cents cheaper than that from Montreal.

(c) To Hamilton, Ontario:

<u>From</u>	<u>Sep/48 Rate</u>	<u>Jan/60 Rate</u>	<u>Inc.+ or Dec.-</u>
Saint John	\$.42 av.S	\$.43	+ \$.01
Montreal	.22 S	.39 av.	+ .17

Apparent
advantage
for M. .20 S M..04

Saint John	.48 W	.43	- .05
Montreal	.41 W	.39 av.	- .02

Apparent ad-
vantage for M. .07 W M..04



(d) To Toronto:

<u>From</u>	<u>Sep/48 Rate</u>	<u>Jan/60 Rate</u>	<u>Inc.+ or Dec.-</u>
Saint John	\$.42 av. S	\$.39	-\$.03
Montreal	.22 S	.39 av.	+ .17

Apparent ad-
vantage for M..20 S S.J..00 $\frac{1}{2}$

Saint John	.48 W	.39	- .09
Montreal	.41 W	.39 av.	- .02

Apparent ad-
vantage for M..07 W S.J..00

(e) to Ottawa:

<u>From</u>	<u>Sep/48 Rate</u>	<u>Jan/60 Rate</u>	<u>Inc.+ or Dec.-</u>
Saint John	\$.42 av.	\$.37 av.	-\$.05
Montreal	.16 av.	.33 av.	+ .17

Apparent ad-
vantage for M..26 M..04

This point has seen a drastic reduction in
favour of the Saint John refinery over Montreal.

(f) to Montreal:

<u>From</u>	<u>Sep/48 Rate</u>	<u>Jan/60 Rate</u>	<u>Inc.+ or Dec.-</u>
Saint John	\$.37 av.	\$.25 $\frac{1}{2}$ av.	-\$.11 $\frac{1}{2}$

*The Saint John rate is applicable on shipments to
railway private sidings. Montreal refiners have
expenses around 18 cents higher than Saint John's,
and when the local delivery charge from refinery to
customer in Montreal, equivalent to 7 cents, is
included, Saint John is on a fully competitive basis
even in Montreal.



(g) To Quebec City:

From	Sep/48 Rate	Dec/59 Rate	Inc.+ or Dec.-
Saint John	\$.36 av.	\$.25 av.	-\$.11
Montreal	.13 $\frac{1}{2}$ av.	.21 av.	+ .07 $\frac{1}{2}$
Apparent advantage for M.	.22 $\frac{1}{2}$	M..04	

THE CHAIRMAN: These decreases are as a result of agreed charges?

MR. DAVIDSON: Yes.

16. SUMMARY OF RATES TO LARGE CENTRES: For purposes of comparison, a simple average of above rates has been calculated. The apparent freight advantage of the Montreal refiner is only an average of 1 $\frac{1}{2}$ cents - a negligible figure - on shipments to Windsor, London, Hamilton, Toronto, Ottawa, Quebec City. We say an "apparent" freight advantage because, when the Montreal refinery's added expenses of 18 cents are included in this calculation (see paragraph 8), the over-all costs are stacked appreciably in favour of Saint John. The maritime refinery has lower expenses because of its location, and is able to transport its refined product to the principal central Canadian markets at virtually the same freight rates as Montreal, 473 miles west of Saint John. The Saint John rates are agreed charges with no escalator clause, and therefore not subject to any "horizontal" freight rate increase, except through negotiation.

17. TO SMALLER ONTARIO POINTS. We estimate the Saint John refinery absorbs at most 10 cents per 100 pounds refined sugar in meeting Montreal competition



at smaller Ontario points. This is accomplished by routing traffic by rail to Toronto at $38\frac{1}{2}$ cents from Saint John and reshipping from there to destination by truck. With this procedure, the cost is within 10 cents of the cheapest rail rate from Montreal. This amount is more than offset by the location advantages mentioned in previous section.

18. Atlantic Provinces. In appendix "G" 16 points to which both the Saint John refinery and C and D sugar have published rates to Newfoundland are compared. Here the Montreal refiner has an apparent disadvantage of 11 cents per 100 pounds average, in meeting Saint John competition. Our company's apparent absorption to points in Quebec and New Brunswick within the select territory is 15 cents average (see appendix "H"), the highest average in eastern Canada, according to our calculation. If our Montreal refinery's added costs are included, actual absorption for us in Newfoundland and maritimes is 29 and 33 cents respectively, and this is a lot of money in the sugar business.

19. To review, apparent and actual advantages are:

Area	Apparent Advantage		Actual Advantage*	
	For	¢ Per 100 lbs	For	¢ Per 100 lbs
Large Centres	Montreal	$01\frac{1}{2}$	S.J.	$16\frac{1}{2}$
Smaller Ont. Points	Montreal	10	S.J.	08
Newfoundland	S.J.	11	S.J.	29
Maritimes	S.J.	15	S.J.	33

*Including Saint John location advantage of 18 cents.



1
2 20. According to the Atlantic sugar brief, 70 per
3 cent of its sales (roughly 280 million pounds) are made
4 in central Canada, and subventions paid by the government
5 under M. F. R. A. on this traffic amount to \$200,000
6 annually. We estimate this subsidy averages 7 cents
7 per 100 pounds. The maritime refinery has not proven
8 need for a 30 per cent subvention, and certainly cannot
9 substantiate claim for 100 per cent. Such an increase
10 would bring Saint John's average subsidy to 23 cents
11 per 100 pounds of fine sugar on movements to central
12 Canada.

13 21. Proof of Saint John refinery's success com-
14 peting in the central Canadian market is that it has
15 recently completed refinery expansion worth \$6 million.
16 Its operating profits in 1957 and 1958 were \$3.9 million
17 and \$3.6 million respectively, two of the best years
18 in the company's history.

19 100% SUBSIDY

20 22. From detailed facts, as we have presented them,
21 we are compelled to submit, in contrast to the Saint
22 John refinery's brief, that their company is not
23 representative of maritime industry; that it has not
24 suffered the increase in freight rates that other marit-
25 ime industries have; that it has certain distinct advan-
26 tages of location, and is even now actively competitive
27 in central Canada. M. F. R. A. subsidy, if increased to
28 100 per cent, would be disastrous to central Canadian
29 refiners. To us there seems to be an uneconomic limit
30 to such help, especially coming out of taxes from competing
companies.



TWO ACTS PRODUCT UNINTENDED RESULTS

23. The present freight rate anomaly is the result of a combination of two forces, legislated for different purposes, and fused together to produce results never envisioned when each of the acts was passed. We are referring to the M. F. R. A. and the agreed charges legislation.

(a) The M. F. R. A. passed in 1927, was designed to equalize freight rate increases at that time for the maritimes and central Canada, and to give maritimers certain statutory advantages within the select territory. The 20 per cent subsidy reduced the maritime increased rates, based on the year 1912, from 192 per cent to 155 per cent. This made net maritime increases comparable with the 155 per cent index for the rest of Canada. (See Turgeon Report, Feb. 9, 1951, pp.234.) The Duncan Commission (Sec. 11, para. 2) observed that this "measuring, once and for all, . . . should not be qualified or delayed by minor criticisms." The Turgeon Commission (pp.234 and 236) said "a change in the 20 per cent reduction would be an unwise departure from the theory employed by the Duncan Commission..." that the 20 per cent subsidy was "once and for all to fulfill Confederation promises, and it has performed and continues to perform the functions for which it was designed." Since 1951 the subsidy has been increased to 30 per cent. We can't help but feel if it was doing a good job then, it must be doing a better one in 1960.

(b) Agreed charge legislation was passed in 1938 to cope with competition from trucks which started after passage of M. F. R. A.



1
2 24. So far as refined sugar movements are concer-
3 ned, present conditions have far exceeded intentions of
4 the Duncan Report, M. F. R. A., and the Turgeon Report.
5 The potential expense of moving refined sugar an added
6 473 miles to Ontario and Quebec has dissipated under the
7 combined assistance of M. F. R. A. and agreed charges.
8 A sugar refiner in Toronto or Montreal who planned and
9 built in the heart of heavily populated areas may find
10 his investments threatened overnight by arbitrary changes
11 in his competitors' freight rates.

12 25. In 1947 Canada and Dominion Sugar Company
13 began to plan a second Redpath sugar refinery at Toronto,
14 which would be capable of supplying the company's share
15 of its market in the Oshawa-Toronto-Niagara area as the
16 population developed.

17 I think the choice of the word "share" is
18 unfortunate from the standpoint of restrictive trade
19 practices, Mr. Chairman, but I think the Board will
20 understand what we mean.

21 MR. SINCLAIR: We certainly do.

22 MR. DAVIDSON: We purchased property in 1951,
23 a refined warehouse was built as the first stage of its
24 development in 1955, and we started erecting the refinery
25 proper in 1957. Shortly after construction started,
26 the Saint John refinery negotiated agreed charges in
27 1956 to Ontario and Quebec points, and the M. F. R.
28 subsidy was increased from 20 to 30 per cent in 1957.
29 This radically changed our assessment of location factors
30 which in large measure made us decide to build our second
refinery in Toronto at a cost of \$15 million.



1
2 26. When MFRA was passed truck competition, as we
3 know it today, did not exist, and therefore it is not
4 surprising subsidies were limited to railway carriers.
5 But things have changed. We have a labyrinth of truck
6 carriers unable to collect any subsidy on movements
7 originating in the maritimes.

8 27. In our opinion, there is grave question
9 whether the Maritime Freight Rates Act subsidy should
10 include payment on competitive rates and agreed charges.
11 The "bridge" subsidy (section 468 of the Railway Act)
12 and the "emergency" subsidy (Freight Rate Reduction
13 Act, 1959) are applied only to non-competitive rates,
14 the primary purpose being to relieve shippers who have
15 longer hauls because of their locations. By direction
16 of the Board of Transport Commissioners in the first
17 instance, and by statute in the second, application of
18 these subsidies has been withheld from competitive
19 rates. It was felt that to utilize a subsidy to reduce
20 freight rates of shippers who receive the benefit of
21 lower rates to meet competition of other carrier agen-
22 cies, would be uneconomic employment of public funds.

23 THE CHAIRMAN: We will adjourn for five
24 minutes.

25 ---Short recess.

26
27 MR. DAVIDSON: Before I resume reading, Mr.
28 Chairman, you asked me a question which I answered in-
29 adequately, I am afraid. You asked if these rates on
30 pages 6 and 7 had decreased because of agreed charges,



1 and I answered Yes. The answer is still good, except
2 that it should have been augmented by also referring
3 to the Maritime Freight Rates subsidy.
4

5 THE CHAIRMAN: Yes. The agreed charges,
6 what dates were they? Were they recent or old ones?

7 C. A. WILSON, called

8 MR. WILSON: There has been a change since
9 that time. In other words, the Maritime Freight Rates
10 Act subsidy was increased from 20 per cent to 30 per
11 cent, which lowered them there. It is a combination of
12 the two.

13 MR. COOPER: We have them here, Mr. Chairman.

14 MR. McDONALD: December 20th, 1956.

15 MR. DAVIDSON: Yes, ACT-03, December 20th,
16 1956.

17 I will resume at paragraph 28, Mr. Chairman.

18 This Commission may wish to examine whether,
19 in applying Maritime freight rates subsidies to com-
20 petitive rates or agreed charges, established by railways
21 to compete with other carrier agencies, the spirit of this
22 legislation is being transgressed, and results in un-
23 warranted dispersion of public funds. In such cir-
24 cumstances, not only does the subsidy now unduly preju-
25 dice the competitive position of cane refiners at
26 Montreal and the beet sugar industry in S.W. Ontario
27 but it operates against those maritime carriers, both
28 truck and steamship services who do not receive a
29 government subvention.

30 29. A revision to bring up to date the Maritime



1 Freight Rates Act could be a boon to those maritime
2 shippers who are responsible, as we see it, for the
3 majority of carloads originating in this area. It can
4 be assumed these shippers are carrying more than their
5 share of the burden of increased railway costs,
6 through horizontal increases. If an aggregate maximum
7 amount could be made available to subsidize only that
8 westward traffic, moving from the select area on non-
9 competitive and class rates, shippers presently
10 responsible for 61 per cent of the carload traffic
11 could be aided more than they are now. Increased non-
12 competitive and class rate traffic could materially
13 assist the maritime provinces, and perhaps produce more
14 traffic for the railway at remunerative levels. At
15 the same time competitive-rated and agreed charge
16 traffic proceeding into central Canada would not be
17 subsidized, because these rates are published to meet
18 competition from other carriers not receiving M.F.R.A.
19 Railways would be assured of a set amount of subsidy
20 revenue to cover costs, under a similar arrangement as
21 the "bridge" subsidy.

22
23 30. Competitive rates would stand on their own feet,
24 as was originally intended, without expense to the tax
25 payer. The railways subscribe to this philosophy, for on
26 June 28, 1955, Mr. Hugh O'Donnell, Q.C. submitted views of
27 the C.N.R. to the Standing Committee on Railways,
28 Canals and Telegraph Lines as follows:

29 "The railways take the position here in
30 Canada that competition should be the regulator . . .



1
2 The public will get the benefit of the lower rate
3 that is provided by the competitor . . ."

4 Mr. John L. O'Brien, Q.C. spoke for the C.P.R. at
5 the same session.

6 "The railways now . . . are being given
7 only one thing (under Agreed Charges) and that
8 is the right to go out and bargain with the
9 shipper . . ."

10 Conclusions:

11 31 We are appearing here today, Mr. Chairman,
12 to strongly oppose the arguments used in the brief
13 presented to this Commission by the Acadia-Atlantic
14 Sugar Refineries Ltd last November. They request
15 an increase in the M.F.R.A. subsidy into the central
16 Canada market -- indeed a very substantial increase,
17 more than tripling the present subsidy, or just equal
18 to five times the amount of subsidy recommended by
19 the previous Royal Commission.

20 32. We have endeavoured to show that the Saint
21 John refinery is now competitive in the main market
22 of central Canada, so that any increase in the railway
23 subsidy they receive would be unfair to the refiners
24 located in the central provinces.

25 33. We would go so far as to argue that the
26 previous increase from 20 per cent to 30 per cent of
27 the "barrier cost" was contrary to the recommendation of
28 the previous Royal Commission on Transportation,
29 and hence bountiful. The Saint John refinery, which
30 has certain natural advantages of location explained



1
2 above, has taken advantage of these transportation
3 subsidies, and gone even further. It has obtained
4 lower agreed charges into central Canada, rates set
5 deliberately and precisely as competitive rates. But
6 these charges are further lowered by M.F.R.A. subsidies
7 at a generous rate of 30 per cent. The Saint John
8 sugar traffic has fared much better than the major
9 part of M.F.R.A. traffic.

10 34. We submit that the Saint John refinery has
11 been treated very well, as evidenced by the fact that
12 70 per cent of its current production is being shipped
13 into central Canada. Any increase in subsidy of the
14 Saint John sugar transportation costs into Central
15 Canada is surely not called for, and a large increase
16 in the subsidy would seem to be preposterous.

17 35. If we may make a positive recommendation, we
18 should argue that the main cause of the trouble is the
19 application of M.F.R.A. subsidy to agreed charges.
20 This seems to be an illogical extension of the original
21 motives of M.F.R.A. and Agreed Charge legislation.
22 It implies the subsidization of rates that were original-
23 ly set to be competitive, and hence does more than
24 overcome the transportation barrier, and results in
25 unfair competition to refiners in central Canada. It
26 is especially unfair in that central Canada refiners
27 are themselves paying, in part, through their taxes,
28 for the undue subsidization of their competitors.

29 36. Lastly, we recommend that those maritime ship-
30 pers who appear to need transportation subsidy most, are



1 those paying non-competitive rates on 61 per cent of
2 all traffic moving under M.F.R.A. Although we have
3 tried to restrict our submission to the field we know
4 best, viz, sugar, we are inclined to believe an aggre-
5 gate maximum subsidy made available under a revised
6 M.F.R.A., and limited to movements under non-competitive
7 and class rates originating in the Maritimes, could be
8 of tremendous help to those shippers and the maritime
9 economy generally.
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Appendix "A"

RE WATER FREIGHT RATES FOR RAW SUGAR

1. Prior to January 1959, steamship lines moving raw sugar from the West Indies and British Guiana were associated in a "conference." This "conference" guaranteed the West Indies' shippers that they would lay down raw sugar on a c.i.f. basis at Saint John four cents per 100 pounds less than at Montreal, because of the shorter distance.

2. The maritime refinery vigorously objected to this fixed differential, claiming it was one of the reasons why it was being "pushed" out of the maritimes. (See speech by Mr. A. B. Hill, President, Acadia-Atlantic Sugar Company, Saint John, January 26, 1958.) The Saint John refinery boycotted B.W.I. sugar in 1958, to emphasize its point, and replaced this source with 100,000 tons of Cuban raw sugar, for which they had to pay a premium (estimated to be close to \$150,000).

3. At Atlantic Sugar's request "conference" shipping rates were disbanded more than a year ago, and now each refiner can arrange its own charters.

4. From this background information it can only be assumed from claims made by Atlantic Sugar prior to January 1959, that the average raw sugar freight to Saint John is now more than four cents cheaper than the average freight to Montreal. It may well be appreciably more.

* * * * *

5. It is still too early in the history of the



1 St. Lawrence Seaway to accurately compare average raw
2 sugar shipping rates to Toronto, and to Saint John.

3 The St. Lawrence Seaway Authority, under legislation
4 which created it, has to collect adequate tolls over the
5 next fifty years to pay for: the cost of building,
6 interest on borrowings, the expense of operating and
7 maintaining canals and works. It will be some time
8 before the Authority or the shipping lines can make
9 accurate costs, ultimately paid by such importers
10 as C and D Sugar.

11 6. In the immediate future we estimate our com-
12 pany will have to pay an additional 10 to 15 cents per
13 100 pounds to float raw sugar beyond Saint John to
14 Toronto.
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Appendix "B"

RE WINTER RAW SUGAR STORAGE COSTS

1. If the maritime sugar refinery were located in Montreal instead of Saint John, and had to provide for raw sugar storage during the winter freeze-up, additional costs involved can be estimated using the following assumptions:

- (a) Being on a year-round port, and receiving 40 cargoes of raw sugar annually (see Atlantic Sugar Company brief to Royal Commission, p. 9), it is only necessary for the Saint John refiner to store a maximum of one months' supply of raw sugar.
- (b) Montreal port is frozen in five months each year. Excess storage involved if located in Montreal would be a four months' or 18 weeks' supply.
- (c) With long experience in building storage facilities our company computes the average cost for raw sugar storage at \$60 per long ton.
- (d) Estimated requirements of Saint John refiner are 4,000 long tons per week or 72,000 tons for 18 weeks.
- (e) Since there would be a diminishing balance of raw sugar stocks during this interval, interest on inventory has been calculated on an average of 36,000 long tons.



Appendix "B" (cont'd)

1.	Depreciation on raw sugar facility ---	
	$5\% \times \$60 \times 72,000 \text{ tons} \times 4/12 =$	\$72,000
2.	Interest on capital invested in raw sugar facility ---	
	$6\% \times \$60 \times 72,000 \text{ tons} \times 4/12 =$	86,400
3.	Interest on value of raw sugar stock (sugar taken at cost of \$100 per long ton) ...	
	$6\% \times \$7,200,000 \times 4/12 =$	<u>72,000</u>
	Total cost of winter storage ---	\$ 230,400 =
		5.1¢ per 100 lbs.

* * * * *

The Montreal refiner is forced to take a position on the volatile world sugar market over the winter months. Inventory losses on a falling market can be substantial. Last year the spot price on November 1, 1958, (close of navigation) was 3.40 cents per pound. On April 1, 1959, the spot price was 2.94 cents per pound. The loss to a Montreal refiner on an inventory of 20,000 long tons would be \$206,080.00.



Appendix "C"

RE COMPARISON OF SUGAR REFINERY WAGES

1. The following is an estimate of how much more it would cost in wages if the present Saint John refinery were in Montreal.

2. Following assumptions are made:

- (a) Number of employees -- 800. (See Atlantic Brief to Commission, p. 9.)
- (b) Estimated working hours per employee, per year = 2,000.
- (c) Estimated average hourly rate saving in Saint John of 20* cents per hour.

Note: * This is conservative because, according to DBS figures, wages and salaries were 19 per cent less in Saint John than in Montreal in June 1959.

3. Saving of 20 cents per hour average represents a cost advantage for Saint John refinery of \$320,000 annually, which on the basis of 200,000 long tons of sugar is equivalent to 7 cents per 100 pounds.

* * * * *

4. The wage cost if the Saint John refinery was in Toronto would be even more. DBS shows wages and salaries in Toronto in June 1959 were 25% higher than Saint John. Using a conservative differential of 25¢ per hour, the saving for the Saint John refiner over Toronto competition worked out on the above assumptions, would be \$400,000 per year or 9 cents per 100 pounds.



Appendix "D"

RE MUNICIPAL TAXES, SAINT JOHN AND MONTREAL

1. Under New Brunswick government legislation passed during the Session of 1954, on April 12, "Atlantic Sugar Refineries Limited shall pay to the City of Saint John for a period of ten years from the first day of January 1954, for all taxation purposes including water rates but not including school taxes the sum of \$12,000 in each and every year . . . For the same period of ten years there shall be an annual assessed valuation for school purposes of \$1,300,000 ..."

2. Replacement value for the Saint John refinery today would be around \$12,000,000, or 1,000 times the fixed amount of property tax.

3. Property taxes for comparable refinery in Montreal would be about \$130,000 annually.

4. Property taxes for the Saint John refinery if transposed in Montreal would be \$80,000 more each year, equivalent to 2 cents per 100 pounds of sugar produced by the maritime refiner.

* * * * *

Taxes for a comparable refinery in Toronto are seven times those being paid to the municipality of Saint John. The Saint John saving is equivalent to around 7 cents per 100 pounds sugar.



Appendix "E"

SAINT JOHN REFINED SUGAR FREIGHT RATES

Comparison of Rates to the Seven Major Markets in Central Canada

	<u>40M</u>	<u>60M</u>	<u>80M</u>	<u>100M</u>	<u>Bulk</u> <u>120M</u>
	-----Cents/100 lbs.-----				
<u>Montreal, Quebec</u>					
1948		39S	32S 39W		
1960			27	24	
<u>Windsor, Ontario</u>					
1948	55S	47S	45S 53W		
1960			62	60	
<u>London, Ontario</u>					
1948		44S	40S 48W		
1960			61*	59*	
<u>Quebec City, P.Q.</u>					
1948		36S	32S 39W		
1960			26	24	
<u>Hamilton, Ontario</u>					
1948		44S	40S 48W		
1960				42	43½
<u>Toronto, Ontario</u>					
1948		44S	40S 48W		
1960				38½	40
<u>Ottawa, Ontario</u>					
1948		41S	39S 47W		
1960			39	35	
<u>Average rate in 1948 - 42.73¢</u>					
<u>Average rate in 1960 - 41.5¢</u>					
<u>Decrease in 12-year period - 1.23¢ or 2.88%</u>					

* Includes Delivery Service.

S- Summer Rates.

W- Winter Rates.

1960 Rates Agreed Charge no Escalator Clause.

Sources: 1948 Tariff Authority Can.Nat.Rlys. Tariff
CM 300-13 effective September 1948.

1960 Tariff Authority Agreed Charge
Tariff 203.



Appendix "F"

MONTREAL REFINED SUGAR FREIGHT RATES

Comparison of Rates to the Six Major Markets in Central
Canada

	<u>30M</u>	<u>40M</u>	<u>50M</u>	<u>60M</u>	<u>80M</u>	<u>100M</u>	<u>Bulk</u> <u>120M</u>
	-----Cents/100 lbs.-----						
<u>Windsor, Ontario</u>							
1948		44					
1960	62						
<u>London, Ontario</u>							
1948			33		31		
1960 55#	61						
<u>Quebec City, P.Q.</u>							
1948					14	13	
1960					22	20	
<u>Hamilton, Ontario</u>							
1948			22S	41W			
1960				48*	37		
St. Lawrence A/C 606					32		33½
<u>Toronto, Ontario</u>							
1948			22S	41W			
1960				48*	33½		48ø
St. Lawrence A/C 606					28½		30
<u>Ottawa, Ontario</u>							
1948			15S	17W			
1960				36	30		
<hr/>							
Average rate in 1948 - 26.64¢							
Average rate in 1960 - 39¢							
Increase in 12 year period - 12.36¢ or 46.40%							
<hr/>							

S - Summer Rate

W - Winter Rate

ø - Minimum 90,000 lbs. in bulk

* - Includes Delivery

- Piggyback

Sources: 1948 Tariff Authority Can.Nat.Rlwy. CM 195
effective September 1948.

1960 Tariff Authority Can.Nat.Rlwy CM 195
Agreed Charge 606
Agreed Charge 460



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Appendix "G"

COMPARISON OF 1960 SAINT JOHN, N.B. AND MONTREAL REFINED
SUGAR FREIGHT RATES TO POINTS IN NEWFOUNDLAND

TO	FROM	MINIMUM			
		30M	60M	80M	100M
		-----Cents/100 lbs.----			
Bay Roberts	Saint John	72	67		
	Montreal	85	80		
Bishop's Falls	Saint John	93			
	Montreal	112			
Bonavista	Saint John	78	73		
	Montreal	87	82		
Brigus	Saint John	72	67		
	Montreal	85	80		
Carbonear	Saint John	78	73		
	Montreal	87	82		
Catalina	Saint John	78			
	Montreal	87			
Clareville	Saint John	78	73		
	Montreal	87	82		
Clarke's Beach	Saint John	72	67		
	Montreal	85	80		
Cornerbrook	Saint John		70	65	60
	Montreal		80	75	70
Elliston	Saint John	78	73		
	Montreal	87	82		
Gander	Saint John	109			
	Montreal	116			
Grand Falls	Saint John	105			
	Montreal	112			
Harbour Grace	Saint John	78	73		
	Montreal	87	82		
Lewisporte	Saint John	78	73		
	Montreal	87	82		
Port Aux Basques	Saint John	68			
	Montreal	75			
St. John's	Saint John		70	65	60
	Montreal		85	80	75



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Appendix "G" (cont'd)

Average Saint John Rate - 74.69¢
Average Montreal Rate - 85.38¢
Montreal Refiner's apparent absorption - 10.69¢

Sources: Saint John, N.B. Rates Agreed Charge 553
Montreal, P.Q. Rates Agreed Charge 545



Appendix "H"

COMPARISON OF MONTREAL AND SAINT JOHN REFINED SUGAR RATES
TO POINTS IN SELECT TERRITORY

			<u>24M</u>	<u>30M</u>	<u>40M</u>	<u>50M</u>	<u>60M</u>	<u>65M</u>	<u>80M</u>	<u>100M</u>
		Cents/100 lbs.....							
Amqui, P.Q.	Saint John	36								
	Montreal	44								
Barachois, PQ	Saint John	36								
	Montreal	52								
Bathurst, NB	Saint John	36	35	34	32	29				
	Montreal	54	52	50	48	46				
Bonaventure, PQ	Saint John	36								
	Montreal	50								
Campbellton, NB	Saint John	36	35	34	32	29				
	Montreal	53	51	49	47	45				
Carleton, PQ	Saint John	36								
	Montreal	50								
Causapscal, PQ	Saint John	36								
	Montreal	44								
Chandler, PQ	Saint John	36								
	Montreal	52								
Chatham, NB	Saint John	36	35	34	32	29				
	Montreal	54	52	50	48	46				
Gross Point, PQ	Saint John	36								
	Montreal	50								
Dalhousie, NB	Saint John	36	35	34	32	29				
	Montreal	53	51	49	47	45				
Edmunston, NB	Saint John	43	41	39	36	34				
	Montreal	48	46	44	42	40				
Fredericton, NB	Saint John	22	14	13	11½				10½	
	Montreal	54	50	48	46				43	
Gaspe, PQ	Saint John	36				29			27	
	Montreal	52				44			41	
Grand Riviera, PQ.	Saint John	36								
	Montreal	52								
Lac Au Saumon	Saint John	36								
PQ	Montreal	44								
Luceville, PQ	Saint John	36								
	Montreal	31								



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Appendix "H" (cont'd)

			<u>24M</u>	<u>30M</u>	<u>40M</u>	<u>50M</u>	<u>60M</u>	<u>65M</u>	<u>80M</u>	<u>100M</u>
2										
3	Maria, Que.	Saint John	36							
		Montreal	50							
4	Matapedia, PQ	Saint John	36							
5		Montreal	48							
6	Moncton, NB	Saint John	28	26	23	21	19		16	
		Montreal	54	52	50	48	46		43	
7	Mont Joli, Que.	Saint John	36				29		27	
8		Montreal	36				29		27	
9	Montmagny, PQ	Saint John	47				37		35	31
		Montreal	46				36		34	30
10	New Carlisle,	Saint John	36							
11	Que.	Montreal	50							
12	Newcastle, NB	Saint John	36	35	34	32	29			
		Montreal	54	52	50	48	46			
13	Newport, PQ	Saint John	36							
14		Montreal	52							
15	New Richmond,	Saint John	36							
	PQ	Montreal	50							
16	Nouvelle, PQ	Saint John	36				29		27	
17		Montreal	50				42		39	
18	Paspebiac, PQ	Saint John	36							
		Montreal	52							
19	Perce, PQ	Saint John	36							
20		Montreal	52							
21	Port Daniel,	Saint John	36							
	PQ	Montreal	52							
22	Rimouski, PQ	Saint John	36				29		27	
23		Montreal	36				29		27	
24	Riviere du	Saint John	36				29		27	
	Loup, PQ	Montreal	36				29		27	
25	Ste. Anne, PQ	Saint John	47							
26		Montreal	46							
27	St. Jean Port,	Saint John	47							
	P.Q. Joli	Montreal	39							
28	St. Noel, PQ	Saint John	36							
29		Montreal	39							

30



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			<u>24M</u>	<u>30M</u>	<u>40M</u>	<u>50M</u>	<u>60M</u>	<u>65M</u>	<u>80M</u>	<u>100M</u>
2	St. Pacome, PQ	Saint John	47							
3		Montreal	46							
4	St. Rose, PQ	Saint John	54							
5		Montreal	54							
6	St. Stephen, NB	Saint John	25	22	20	19	18		16	
7		Montreal	54	52	50	48	46		43	
8	Sackville, NB	Saint John	33	27	26	25	23			
9		Montreal	55	53	51	49	47			
10	Sayabec, PQ	Saint John	36							
11		Montreal	39							
12	Sussex, NB	Saint John	14		13	11½	10½			
13		Montreal	54		50	48	46			
14	Trois Pistoles, P.Q.	Saint John	36				29		27	
15		Montreal	36				29		27	
16	Val Brilliant, P.Q.	Saint John	36				29		27	
17		Montreal	39				31		29	
18	Woodstock, NB	Saint John	36	33	28	26	23			
19		Montreal	54	52	50	48	46			
20	Average Saint John, N.B. rate		30.8¢							
21	Average Montreal, P.Q. rate		45.5¢							
22	Montreal Refiner's apparent absorption - 14.7¢									
23	Sources: Tariff Authority - Saint John, N.B. Rates									
24	Can. Pac. Rlwy E1355F									
25	Can. Nat. Rlwy CM300-15									
26	Montreal Rates									
27	Can. Nat. Rlwy. CM 195									
28	Agreed Charge 451									



Appendix "I"

COMPETITIVE TRAFFIC ORIGINATING IN MARITIME REGION,
1958

(Source, Bd. of Transport Commissioners, Waybill Analysis,
August 1958, Table 1A.)

Destination	Commodity Rate	No. of Carloads
Maritimes	Competitive	673
	Agreed Charge	62
Eastern	Competitive	93
	Agreed Charge	148
Mixed shipment, Maritimes		?
Mixed Car, Western	Competitive	1
	Total Competitive	977
Grand Total of all shipments to Canadian points		2499
Competitive Traffic forms		39.1% of Total



1 THE CHAIRMAN: Mr. Cooper?

2 MR. COOPER: I take it that Mr. Wilson will
3 answer questions?

4 MR. WILSON: Either one of us will answer them.
5

6 CROSS-EXAMINATION BY MR. COOPER:

7 Q. You have four refineries, one in Montreal,
8 one in Toronto, one -- or two refineries, rather, one
9 in Montreal, one in Toronto, and two factories, one
10 in Chatham and one in Wallaceburg, both in Ontario?

11 MR. DAVIDSON: That is correct.

12 Q. You state on page 2:

13 "Our largest cane and beet sugar markets
14 are in Ontario and Quebec, although we sell from
15 Saskatchewan to Newfoundland."

16 Now, taking the refinery in Montreal, what percentage of
17 sales from that refinery is made in the Montreal area?

18 MR. DAVIDSON: I am sorry, I haven't got the
19 information, but a substantial amount would be sold in
20 the Montreal area.

21 Q. I suppose the same would be true of Toronto.
22 Have you any figures for the refinery in that city?

23 MR. DAVIDSON: That is correct.

24 Q. You have no actual figures so that you can
25 give us a percentage?

26 MR. DAVIDSON: No. In both places the com-
27 petition is very keen among the three eastern Canadian
28 cane refineries, and in Toronto we have the addition of
29 competition from beet sugar.

30 Q. That beet sugar comes from where?



1 MR. DAVIDSON: It comes from our factories in
2 Chatham and Wallaceburg.

3 Q. When you speak of competition from beet
4 sugar, that is competition from yourselves?

5 MR. DAVIDSON: No, not entirely. It may appear
6 so to anyone not in the sugar business, but beet sugar does
7 sell normally at slightly less than cane sugar. So while
8 we produce both varieties, you can say that one competes
9 with the other for a share of the market.

10 Q. Do you sell in the maritime provinces at all?

11 MR. DAVIDSON: We do.

12 Q. Can you give us any indication as to the
13 volume of sales in the maritime provinces?

14 A. It is infinitesimally small, for the reason
15 we have stated, that the absorptions of freight into the
16 maritimes by our refinery, our Montreal refinery, are
17 in the extreme. The apparent absorptions into Newfound-
18 land and the maritimes are respectively 11 cents and 15
19 cents, but with the premium costs which we have gone over
20 and taken into consideration, we say that the actual
21 absorption by the Montreal refinery, the actual absorption
22 of added costs is around an average of 29 cents in New-
23 foundland and 33 cents in the maritimes.

24 Q. Do you sell in the Winnipeg market.

25 MR. DAVIDSON: Yes, we sell again an infinitesi-
26 mally small quantity of sugar in the Manitoba market. At
27 one time the Manitoba market was a significant outlet for
28 our sales. In 1951 in the prairie provinces, but mostly
29 in Manitoba, our company sold 50 million pounds of sugar
30 annually, but by 1954 this had dwindled to 10 million



1 pounds annually, and today it is certainly not more than
2 that.
3

4 Q. I agree that when the Manitoba Sugar Beet
5 Growers' Association appeared before the Commission they
6 stated their market in Winnipeg was being seriously dis-
7 turbed and disrupted by sugar coming in from Ontario and
8 Quebec. Is that correct?

9 MR. DAVIDSON: I think counsel is substantially
10 correct. But, as I recollect, Mr. Chairman, the allega-
11 tion was that they were being threatened particularly by
12 beet sugar moving from Chatham. This statement, of
13 course, is not correct, because from the last crop we have
14 moved only one carload of beet sugar from Chatham into
15 the Province of Manitoba. So I think the record will not
16 substantiate the statement made by the Manitoba Beet
17 Growers' Association.

18 Q. I see by paragraph 5 on page 2 that in
19 1958 Canada and Dominion Sugar Company spent nearly
20 \$1,200,000 in railway freight. Do you use trucking ser-
21 vices at all for delivery of your refined sugar?

22 MR. WILSON: Oh, yes, definitely. I could
23 safely speak, I think, for all refineries in that regard.

24 Q. To what extent do you use trucking services?
25 I take it you deliver in the Montreal market and the Toronto
26 market by your own trucks?

27 MR. WILSON: We use cartage agents, we use rail
28 and we use our own trucks.

29 Q. I am speaking of the Montreal metropolitan
30 area.

MR. WILSON: Yes, that is correct: we use rail,



1 we use our own trucks and we use cartage agents, and the
2 same in Toronto.

3 Q. What about the sugar beet factories in
4 Chatham and Wallaceburg?

5 MR. WILSON: Of course, those are only small
6 towns. In Wallaceburg, in fact, there is no industry.

7 Q. I am talking about deliveries generally
8 from Chatham and Wallaceburg, let's say, to Toronto.

9 MR. WILSON: To Toronto, in the past two years,
10 our shipments by rail from Chatham and Wallaceburg have
11 gone from 78 cars, within a car or two, in 1957, and in
12 1959 there were approximately 325 carloads of sugar moved
13 by rail, and these cars were 90 per cent, 95 per cent
14 100,000-pound cars.

15 Q. You say how many moved by rail from
16 Chatham and Wallaceburg?

17 MR. WILSON: In 1957, for the year, there were
18 approximately 78 cars, and in 1959 there were approximately
19 325, within a very few cars.

20 Q. What about movements by truck out of
21 Chatham and Wallaceburg?

22 MR. WILSON: Well, they have decreased today
23 to where they play -- I cannot give you the actual per-
24 centage, but in 1957 they carried approximately, I would
25 say, in the neighbourhood of 80 per cent of our traffic.
26 In other words, the position between truck and rail has
27 just about reversed in that area.

28 Q. I presume that is due to an agreed charge
29 or competitive rates that you have obtained?
30



1
2 MR. WILSON: Competitive rates, not agreed
3 charge.

4 Q. So that the railways have recovered their
5 traffic there in the period you have mentioned?

6 MR. WILSON: That is correct.

7 Q. Now, coming again to the refineries in
8 Montreal and Toronto, what percentage of your deliveries
9 do you make outside the metropolitan areas of those
10 cities by truck, if any?

11 MR. WILSON: Well, there again I cannot break
12 it down to percentages, but the railways in the past
13 two years have had a very substantial increase in rail
14 traffic from Montreal. Now, our Toronto traffic has
15 not operated a full year yet and we are just starting
16 to get rates there, and we have not yet any comparison.

17 Q. Can you give any figures for movements
18 by truck as against movements by rail outside the
19 metropolitan area?

20 MR. WILSON: No, I cannot do that. But we
21 also, out of Montreal, use Canada Steamship Lines.

22
23 -

24
25 -

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27 -



1
2 Q. Where do you ship to on Canada Steamship
3 Line vessels?

4 MR. WILSON: We ship from Montreal to Toronto,
5 Halifax, Windsor, Sarnia, Sault Ste. Marie, the lakehead,
6 and we also have rates with the joint water rail rates,
7 with the rails, by C. S. L. to Winnipeg.

8 Q. What percentage of the output goes by
9 water from the Montreal refineries?

10 MR. WILSON: That is practically impossible
11 for me to answer, especially in view of our operation
12 last year. With the Toronto refinery coming into being,
13 it was a transition period and I would hesitate to estim-
14 ate, because we were up in the air.

15 Q. How does the sugar move to Newfoundland?

16 MR. WILSON: By rail.

17 Q. Do you have any movements by vessel at
18 all from Montreal direct to Newfoundland?

19 MR. WILSON: Very, very few.

20 Q. In the shipping season?

21 MR. WILSON: Very few.

22 Q. You have some?

23 MR. WILSON: Possibly one last year: A 50 ton
24 lot, that is all.

25 Q. You deal with Acadia Atlantic Sugar
26 Refineries Limited, and particularly with the location
27 factors applicable to the Atlantic Sugar Refinery,
28 and I direct your attention to the bottom of page 2 and
29 top of page 3:

30 "The Saint John refinery has a shorter sea haul for



1
2 "its raw cane sugar; e.g., Saint John is 800 sea
3 miles closer to Kingston, Jamaica, than is Montreal.
4 It is estimated that the water freight saving to the
5 Saint John refinery (compared to Montreal competitors)
6 is at least four cents per 100 pounds or \$180,000
7 per year."

8 As you know, Mr. Hill, who is in the court room today,
9 gave evidence before the Commission and presented a
10 submission in Fredericton, New Brunswick, and I understood
11 him to say that the differential which you placed at at
12 least four cents per 100 pounds is at least one cent
per 100 pounds?

13 MR. DAVIDSON: I don't think that is correct.

14 MR. COOPER: The references are at pages
15 403 and 425 in volume 4.

16 MR. DAVIDSON: I am sorry, I haven't got the
17 volumes. I will have to look it up in Mr. Hill's presen-
tation.

18 MR. COOPER: Perhaps we can leave that, but
19 I am suggesting --

20 MR. DAVIDSON: It is not correct; I am sure
21 I can document my statement, that what you are quoting
22 was one specific instance on one specific day which does
23 not fairly describe the freight cost climate. What we
are talking about is in terms of annual averages.

24 MR. COOPER: Perhaps Mr. Hill would also
25 wish to document his evidence on this point further.

26 MR. DAVIDSON: I think I can find it in the
27 Saint John brief.

28 MR. COOPER: Q. While you are doing that, I
29
30



1
2 would like to address another question to Mr. Wilson
3 with respect to his remarks of a few moments ago that
4 sugar from the Montreal refinery is taken to Winnipeg.

5 MR. WILSON: That is correct.

6 Q. So the Winnipeg market is supplied with
7 refined sugar from Montreal?

8 MR. WILSON: That is correct.

9 Q. To what extent?

10 MR. WILSON: I do not know the total market.
11 You would have to get the sales figures for the total
12 market in Winnipeg, but a moment ago you asked Mr. David-
13 son about the Winnipeg market, and the brief submitted
14 by the Manitoba Sugar Beet Growers Association. In their
15 brief that you mentioned, they made no mention of the fact
16 that their owners, the B. C. Sugar Refiners, have had
17 an agreed charge from Vancouver into the Winnipeg market
18 for a considerably longer period than our company has;
19 but, they failed to mention that. They mentioned the
20 fact that our rate was reduced approximately 50 per
21 cent, but their agreed charge reduced the class rate --
22 our agreed charge reduced the rate from \$2.32, I think
23 they said, to \$1.13.

24 Q. That is correct.

25 MR. SINCLAIR: The Sugar Refinery in Manitoba
26 did not appear. It was the beet growers.

27 MR. WILSON: Yes, I am talking about the
28 Beet Growers Association, and they tabled this information.
29 The B. C. Sugar Refineries -- they used class rates.
30 They did not use our commodity rates in arriving at their
deductions. So, if you take B. C. sugar refiners' class



1
2 rate from Vancouver to Winnipeg, we had a \$1.44 reduction,
3 I believe. I could substantiate these figures. Their
4 rate reduction was \$2.00.

5 MR. COOPER: Q. But, in any event, sugar
6 does move from the refinery in Montreal into the Winnipeg
7 market?

8 MR. WILSON: Yes, and has for about thirty
9 years, at least.

10 Q. Is it moving there in greater quantity,
11 we will say, in the last three or four years than previous
12 to that?

13 MR. DAVIDSON: No, substantially lesser
14 quantities, I would say. I would not like to hitch
15 my answer to the last three or four years, but since the
16 decontrol of sugar, the quantities of sugar sold following
17 the war by our company in the Winnipeg and Manitoba
18 area has steadily decreased.

19 Q. I can appreciate your reluctance to give
20 any percentages in figures, because I know it is a
21 question of trade secrets, so I am not going to press
22 for those percentage figures, but perhaps, if the Com-
23 mission itself wishes to obtain information on these
24 matters, you would be willing to supply them.

25 MR. DAVIDSON: I appreciate counsel's consider-
26 ation.

27 Q. You also deal on page 3 with another
28 factor among the location factors with respect to
29 Saint John, and that is storage facilities for the
30 winter which must be provided in Montreal. I don't
know, perhaps you are not in a position to give me any



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1
2 information as to whether or not storage facilities
3 are also required in Saint John; perhaps that is something
4 that could be left for the Acadia Atlantic Sugar people
5 themselves.

6 MR. DAVIDSON: I think the question has been
7 answered by Saint John in their own brief. They say
8 they have forty ships a year, and that they are on a
9 year-round port and, presumably, their storage problems
10 are very small compared to ours, and we have based our
11 estimate on additional expenses incurred by operating a
12 sugar refinery in Toronto and Montreal on this very
13 salient point, that we have to build, maintain, storages
14 which our competitor on the year-round open port does
15 not require. As evidenced in the brief presented
16 by Mr. Hill, this was one of the major considerations
17 in locating a sugar refinery, back in 1916, I think, at
18 Saint John, and also at Dartmouth.

19 Q. You touch on the matter of labour costs in
20 the Saint John refinery. Of course, you are only
21 dealing there with average figures. You don't actually
22 know the actual labour rates paid in the Atlantic Sugar
23 Refinery in Saint John?

24 MR. DAVIDSON: I think we can give some pretty
25 accurate documentation of these figures. We started
26 off, of course, with the information given in the Saint
27 John refinery's brief containing information which we
28 hadn't known previously of the number of employees and
29 year round work, and we started out by comparing the
30 average figures produced by the Dominion Bureau of
Statistics, and then we used other information which we



1
2 received, and we roughly calculated that the Saint John
3 refineries hourly rate is around \$1.60 as compared to
4 the Montreal refineries' average refinery hourly rate
5 of \$1.80, with this differential of 20 cents which,
6 incidentally, is conservative when compared with the
7 Dominion Bureau of Statistics' figures for wages and
8 salaries at Saint John and Montreal. But, using this
9 very conservative figure of 20 cents, we came up with
10 an equivalent of 7 cents per 100 pounds savings for the
Saint John refinery as compared with Montreal.

11 Q. Would you care to comment -- and perhaps
12 this is not a fair question -- on the relative producti-
13 vity of labour in Montreal and Saint John in the refining
industry?

14 MR. DAVIDSON: Nothing more than to say that
15 the Atlantic Sugar Company are an extremely efficient
16 company, and I think that their records over the last
17 few years would substantiate that, and I would think they
18 set a very high standard for us to compete against.

19 Q. Perhaps, Mr. Davidson, that new refinery
20 in Toronto should have been built in Saint John or
Halifax?

21 MR. DAVIDSON: I think this is a very sound
22 observation.

23 Q. You mention the next point of municipal
24 taxes for the Saint John refinery as being fixed by
25 statute at extremely low levels, and in appendix D the
26 figure appears of \$12,000 fixed taxes per year, but not
27 including school taxes. When you have made your
28 calculations which lead you to the estimate that Saint
29
30



1
2 John is 2 cents per 100 pounds better off than the
3 Montreal position, did you use the figure of \$12,000
4 alone?

5 MR. DAVIDSON: I am glad that question was
6 asked, because I meant to refer to it. We have, indeed,
7 included the education. There is a fixed assessment of
8 \$12,000 ----

9 Q. A fixed tax of \$12,000.

10 MR. DAVIDSON: Thank you.

11 Q. And a fixed assessment for school purposes
12 of \$1,300,000.

13 MR. DAVIDSON: That is correct. As in
14 appendix D, there is a fixed tax rate of \$12,000 on
15 property, plus a fixed assessment for schools which,
16 at the rate of tax levied in Saint John in 1959, was
17 \$2.37 per \$100, and which extends to an education tax
18 of \$30,810, roughly, and which, added to the \$12,000
19 property tax, gives a total of \$42,810, and this is
20 the calculation that we have used for comparison in
21 arriving at these tax advantages.

22 Q. And that is why, I take it, in appendix D,
23 paragraph 4, you say the property taxes for the Saint
24 John refinery, if transposed to Montreal, would be \$80,000
25 more each year -- you have taken into account there that
26 amount of school tax?

27 MR. ADVIDSON: That is correct.

28 Q. I refer you to page 5, paragraph 12:

29 "By far the most important points where the Saint
30 John and Montreal refineries sell sugar, are the
big centres in Ontario and Quebec. Since 1948,



1
2 "rate changes for refined sugar shipped to these
3 centres show that while the Saint John average
4 rates have actually decreased three per cent
5 (appendix E), Montreal refinery rates have increased
6 by 46 per cent (appendix F)."

7 Turning to those appendices E and F, I notice appendix
8 E has seven centres in it for comparison purposes,
9 while appendix F has six centres. Appendix F omits
10 Montreal. I am suggesting, perhaps, that is not a
11 true comparison there -- seven compared to six.

12 MR. DAVIDSON: I don't see how else we can
13 do it. Appendix F is Montreal refined sugar, and it
14 seemed an unfair comparison for the Saint John refinery
15 to add Montreal to the page which deals with refined
16 sugar shipped from Montreal.

17 Q. Well, there is one more point in appendix
18 E than appendix F, and if you take that out I think you
19 will find that your Saint John average rates have actually
20 decreased 3 per cent, and I think you will find an in-
21 crease of 1.12 per cent if you adjust E and F to include
22 only the six centres.

23 MR. WILSON: Yes, possibly that is true, but
24 then Montreal would show a greater decrease -- to the
25 Montreal centre itself.

26 Q. Would show what?

27 MR. WILSON: A greater percentage decrease,
28 and one must not lose sight of that because that is a
29 big market.

30 Q. The Montreal market, of course.

MR. WILSON: Certainly.



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1
2 Q. Well, in any event, I merely call atten-
3 tion to the fact that these appendices E and F are,
4 in one case, 7 points, and in the other, six.

5 MR. WILSON: That is quite true. It is
6 rather hard to classify on an average, and this is
7 only indicative of what has transpired in freight rates
8 from 1948 to 1960, because we do not know what percentage
9 moves under any particular minimum or any particular
10 rate, and all it is is indicative of what has happened.

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2 Q. Of course, that is a question also which
3 comes into these comparisons, the minimum weights are
4 different for the different rates.

5 MR. WILSON: Oh yes, definitely, but by the
6 same token for both refineries.

7 Q. Well, in so far as these minimum rates
8 are concerned, the minimum rates I think relating to
9 Saint John are consistently higher, is that not correct?

10 MR. WILSON: That is from Montreal?

11 Q. Yes.

12 MR. WILSON: Yes. There are a couple of
13 points I would grant you. They all have 100,000 pounds
14 other than Windsor and London.

15 Q. Paragraph 13 on page 5, would you just
16 mind indicating where you get your figure from of
17 112 per cent, totalling up to 112 per cent. That is
18 the last line of paragraph 13.

19 MR. WILSON: Yes, if one takes - pardon me,
20 what page was that?

21 Q. Page 5, paragraph 13, last line.

22 MR. WILSON: Yes. If one takes the percentage
23 increase since the April, 1948, of 21 per cent, and
24 you start at -

25 Q. You do not include that first increase in
26 1948?

27 MR. WILSON: Absolutely not - you start taking
28 100 and you increase that and it will give you an
29 accumulative increase of 112 per cent.

30 Q. And what is the last increase that you
have included in the figure?



1
2 MR. WILSON: The 17 per cent.

3 Q. The full 17?

4 MR. WILSON: Right. The reason for that is
5 the subsidy of the government only applied on non-
6 competitive and class rates. The 17 per cent was put
7 where possible on competitive rates.

8 Q. These rates that you show on pages 6 and
9 7 from Montreal to Windsor, Ontario, from Montreal to
10 London, Ontario, and so on, and I am speaking now of
the Montreal rates, are these agreed charge rates?

11 MR. WILSON: Some of them are and some of them
12 are not.

13 Q. In the cases where they are not, would it
14 be possible for the company to get agreed charges?

15 MR. WILSON: Possibly, but there are other
16 factors that enter into - that we must consider before
going into agreed charges.

17 Q. There are some factors then which make
18 it desirable for you to pay a higher rate to avoid
19 entering into an agreed charge contract, is that correct?

20 MR. WILSON: It is possible.

21 Q. Well, is it so?

22 MR. WILSON: Yes.

23 Q. You might indicate what those factors
24 are.

25 MR. SINCLAIR: The Commission could take
26 judicial notice of this.

27 MR. DAVIDSON: There is one very important
28 one, Mr. Chairman, and that is we are in the beet sugar
29 business and under the form of sugar beet contract, the
30



1
2 growers of sugar beets and the company share in the
3 returns obtained from the sale of sugar. Anything that
4 takes place to lower the price on sugar, the price at
5 which beet sugar is sold, and the freight is an integral
6 part of that, is detrimental to the interests not only
7 of our company, but also to 5,000 to 6,000 sugar beet
8 growers in southwestern Ontario. I would say that this
9 is one of the considerations involved in the question
10 that you have asked.

11 THE CHAIRMAN: The main one is competition,
12 I suppose?

13 MR. WILSON: Yes, and we also have customers
14 that pick up their own sugar in Montreal. We could
15 sign an agreed charge, I would say we could sign an
16 agreed charge, but not, possibly, the percentage the
17 railways would like under an agreed charge, let us put
18 it that way.

19 MR. COOPER: Q. You do not want to get tied
20 up to 75 per cent or 85 per cent?

21 MR. WILSON: No, we could not possibly do it.

22 Q. On page 7 you have a note there preceded
23 by an asterisk:

24 "The Saint John rate is applicable on shipments
25 to railway private sidings. Montreal refiners
26 have expenses around 18 cents higher than Saint
27 John's and when the local delivery charge from
28 refinery to customer in Montreal, equivalent to
29 7 cents, is included, Saint John is on a fully
30 competitive basis even in Montreal."

Now, the 18 cents you refer to there is the



18 cents -

MR. WILSON: Location factor.

Q. Location factor?

MR. WILSON: Correct.

Q. Well, now, do I understand you to say that expenses of producing sugar, of refining sugar in Montreal and Saint John are exactly the same except for this location factor?

MR. WILSON: No, we have said that we have added expenses of 18 cents due to location factors. We are dealing with freight here and freight alone. In other words, that 18 cents is a location factor, with an applied rate into Montreal of $25\frac{1}{2}$ cents which is straight freight rate, that leaves a difference of $7\frac{1}{2}$ cents. We have a local delivery charge. We are dealing with shipments to private railway sidings only. In other words, that is the only comparison that you can make because if you put it into warehouses, we have outside warehouses the same as they have and the 7 cents delivery charge is on the conservative side because we have rail rates in Montreal, switching rates of 9 cents and 10 cents a hundred pounds. This is in actual fact our truck rate for deliveries which, in other words, when a car comes in direct from Saint John to a customer on a siding, his freight rate is $25\frac{1}{2}$ cents, we have the location factor of 18 cents plus cartage or shipping whichever you wish to include.

Q. The 18 cent location factor is really not tied in directly with freight rates or transportation charges, part of it is labour, part of it is



1
2 taxes, part of it is other things, is that not right?

3 MR. WILSON: That is quite true.

4 Q. And I am merely suggesting that this
5 sentence suggests to my mind that you are just taking
6 this 18 cents by way of location factor and just saying
7 that your expenses are 18 cents higher in Montreal
8 because of advantages as against Atlantic because of
9 advantages they have in Saint John?

10 MR. WILSON: Yes.

11 Q. But that assumes that other expenses are
12 the same in production costs?

13 MR. DAVIDSON: Well, it is very difficult to
14 go further with it because unfortunately our competitor
15 is not very co-operative in telling us what their costs
16 are and it is difficult to calculate these things.
17 We have done as scholarly a job as we can. These
18 are only four points of costs into which we have been
19 able to delve. We think probably there may be many
20 more but we would not like to be placed in the position
21 of answering counsel's questions and saying these are
22 the only things which cost us more.

23 MR. COOPER: Q. Well, my only point is
24 obtaining information for the Commission and I think that
25 in doing so and to obtain an appreciation of the brief,
26 I am suggesting to you that you have to take all cost
27 figures into account before you can come to any definite
28 conclusion as to whether a refinery in one location
29 has an advantage as against a refinery in another.
30 Would you agree with that?

MR. DAVIDSON: Yes, I think that is a very



1
2 fair summation.

3 Q. Now, on page 11 you state in paragraph 27:
4 "In our opinion, there is grave question whether
5 the M. F. R. Act subsidy should include payment on
6 competitive rates and agreed charges."

7 Just for the purposes of the record, is it
8 your submission that the Maritime Freight Rate Act
9 should be amended so that payments would not be made to
10 the railways by way of subvention on competitive rates
11 and agreed charges, movements within the select territory.
12 Is that a definite submission which you are making to
13 the Commission?

14 MR. WILSON: That is right. I would point
15 out there that agreed charges and competitive rates are
16 issued to meet competition. The subsidy you say pay to
17 the railways, while it is quite true it is paid to the
18 railways, it is a subsidy to the shipper in as much as
19 it gives him lower freight rates.

20 Q. I understand that, I was just wanting to
21 get the position clear as to whether you were making
22 a definite submission on that point?

23 MR. WILSON: That is correct.

24 Q. When you introduced the subject by saying
25 "there is grave question"?

26 MR. WILSON: That is correct.

27 Q. You suggest along with that and I am
28 now referring to paragraph 29 on page 12, the provision
29 of an aggregate maximum amount to subsidize traffic
30 moving on non-competitive and class rates, I am just
wondering how you would arrive at that aggregate



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2 maximum amount. Perhaps I do not quite appreciate
3 what you have in mind in suggesting the aggregate maxi-
4 mum amount.

5 MR. WILSON: Well, the reason we make that
6 statement is this, that we suggest the administration of
7 the Maritime Freight Rates Act along the lines of the
8 bridge subsidy and the other subsidies, the recent subsidy,
9 and if they set a maximum amount and apply it on non-
10 competitive and class rates which we, according to the
11 1958 Waybill Analysis were responsible for 61 per cent
12 of the traffic moving within and out of the maritime
13 provinces under the M. F. R. A. This traffic can be
14 aided more than they are now. In other words, the
15 39 per cent that is today applicable on competitive and
16 agreed charges could be applied to non-competitive and
17 class rates.

18 Q. You calculate how much that would amount
19 to and distribute that among those shippers who are
20 shipping on non-competitive and class rates?

21 MR. WILSON: Yes, that is right, and we say
22 they could be aided more than they are now in this respect
23 that we know today, due to our costs, transportation
24 costs, just how far we can go in a market. There are
25 points where it is a marginal position, you have
26 industries in the maritimes that are in that category.
27 Now, if they got a further reduction which is not big
28 enough possibly or in a remote area which cannot get
29 competitive or agreed charge rates, this application
30 that we suggest might possibly aid that man to reach
out a little further to a market that is beyond his reach



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2 today. That is our suggestion.

3 MR. COOPER: Thank you.

4 THE CHAIRMAN: Well, gentlemen, I think we
5 will adjourn now until 10 o'clock tomorrow morning.

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7 ---Adjournment.

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Hon. C. D. McTaggart

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

OTTAWA

VOLUME No.:

DATE:

57

27 Apr. 1960

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held
in the Court Room, Board of
Transport Commissioners Offices,
Ottawa, Ontario, on the 27th
day of April, 1960

COMMISSION

Mr. M. A. MacPherson, Q.C.	Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

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Mr. G. S. Cumming

Mr. H. W. Ellicott Adviser

Mr. F. W. Anderson

Secretary

Major N. Lafrance

Assistant Secretary



Ottawa, Ontario,
Wednesday,
April 27, 1960.

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please. Mr. Davidson, I think before we proceed I should say that Mr. Hill, who gave evidence in Fredericton, has suggested that probably you might be called back next week when the other counsel will be available. However, the Commission has a very full and complete schedule and we don't want to be calling people back unless we have to. So I have suggested to Mr. Hill, and I think it is satisfactory to him, that he be entitled to file with the Commission a reply to your submission as made and which has to be done within two weeks and that a copy be sent to you.

Is that all right, Mr. Hill?

MR. HILL: Mr. Chairman, I would like to ask if the Commission can possibly see its way to the opportunity of public cross-examination.

THE CHAIRMAN: You mean today?

MR. HILL: No, sir, when our counsel is available, who, under the circumstances, could not be available for a week, and only at the convenience of the Commission.

THE CHAIRMAN: Well, we will have to consider that, and you might think over our submission to you. We want to give you an opportunity, as we did at Fredericton, where we suggested that anything you had to offer we would be glad to have.

MR. DAVIDSON: Mr. Chairman, when you are considering that request, I think in all fairness perhaps the Commission might also consider giving us an opportunity



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to cross-examine Mr. Hill on his submission, too.

THE CHAIRMAN: Well, of course, that is what we are afraid of, you see, and this can be carried on ad infinitum. We are anxious to get the facts and anxious to be fair to both parties, but we want to stop there.

MR. DAVIDSON: We will abide by the Commission's ruling, sir.

MR. HILL: We are anxious that you have the honest facts.

THE CHAIRMAN: Well, we are in agreement for once.

Mr. Hume is not here.

Mr. McDonald?

MR. McDONALD: Mr. Chairman, I think my friend Mr. Cooper has covered the matter very well. I have no questions to ask.

THE CHAIRMAN: Mr. Sinclair?

MR. SINCLAIR: Mr. Chairman, it may be that I could direct one or two questions to Mr. Davidson, and then, in view of the fact that we have an experienced traffic man here, I think it would be useful to get his views on certain matters that are necessarily known to him on account of the responsibilities he has. And so first, if I could, I would, with your permission, sir, like to direct one or two questions to Mr. Davidson.

CROSS-EXAMINATION BY MR. SINCLAIR:

Q. Mr. Davidson, the sugar business, I take it, is a highly competitive business?



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2 MR. DAVIDSON: That is correct.

3 Q. And in depending on where you market
4 your products, you take into account all costs, including
5 costs of capital?

6 MR. DAVIDSON: I think that is a fair assessment.

7 Q. And you buy your raw materials at the
8 place where you can get them the cheapest?

9 MR. DAVIDSON: Yes.

10 Q. And you sell your product in the place
11 where you can get the most for it?

12 MR. DAVIDSON: Yes.

13 Q. And you also, in fixing the price of your
14 product, take into account all competitive factors?

15 MR. DAVIDSON: That is right.

16 Q. And I think the Commission would be interes-
17 ted in knowing from your knowledge of the sugar business
18 whether you pass on to the purchaser the transportation
19 costs. In other words, where is the incidence of
20 transportation cost in the sugar business or who pays
21 the freight?

22 MR. DAVIDSON: Well, that is a very complicated
23 question to answer, Mr. Chairman, except in very general
24 terms, that in so far as possible, of course, we pass on
25 the freight to the customer. But there are many
26 instances where we have to absorb freight in order to be
27 competitive. In this respect, I would imagine that the
28 sugar business is similar to many others.

29 Q. For instance, you buy beets from farmers
30 in the area tributary to your Chatham and Wallaceburg
plants.



1
2 MR. DAVIDSON: Yes.

3 Q. And from those beets your company manufactures
4 beet sugar.

5 MR. DAVIDSON: Yes.

6 Q. And sells that beet sugar in the central
7 Canadian market.

8 MR. DAVIDSON: Yes.

9 Q. And, for instance, it sells that sugar to
10 farmers in central Canada?

11 MR. DAVIDSON: Yes, among others.

12 Q. Yes, among others. My question, and I
13 think the Commission would be interested in this, is: In
14 selling your sugar to farmers in central Canada, are
15 you able to pass on to them the competition with, for
16 instance, Acadia, the full transportation charges to
17 farmers living, we will say, in the eastern part of the
18 province of Quebec?

19 MR. DAVIDSON: Well, the beet sugar in this
20 respect, Mr. Chairman, is predicated on certain location
21 factors. A beet sugar factory is never located on a
22 seaport because to do so the competition from cane
23 refiners would be prohibitive.

24 THE CHAIRMAN: You go where the beets are,
25 I suppose.

26 MR. DAVIDSON: Well, that is a chicken-and-
27 egg statement which is very difficult to answer. But the
28 beet industry must, in order to be financially sound,
29 locate inland from the seaports, and therefore we find
30 in Canada beet sugar factories located in Ontario inland
from the seaport of Montreal where the price of sugar



Davidson, cr-ex. 10363
Wilson
(Sinclair)

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2 may be around 50 cents more than the price of sugar at
3 Montreal because of the railway haul between Montreal
4 and, say, Chatham, Ontario, and you find factories in
5 Winnipeg where the price of sugar is probably \$1.50 more
6 than it is at Montreal, and you find beet sugar factories
7 in southern Alberta where the price of beet sugar is
8 perhaps the same amount, \$1.50 more than in Vancouver,
9 a cane refinery centre. If it were not possible to have
10 this what might be called freight protection, there would
11 be no beet sugar industry there, and the freight protec-
12 tion is of paramount importance to the beet growers who
13 grow beets under a profit-sharing contract with the
14 processor, sharing in the net returns of sale of beet
15 by-products. So therefore it is in their interest to
16 locate these factories as I have stated.

15 Q. So I take it that your answer is this,
16 Mr. Davidson, that, depending upon the intensity of your
17 competition, that determines whether you are able to
18 pass on transportation charges or whether you are not:
19 Where the competition is intense you sometimes have to
20 absorb some of the transportation costs, and where the
21 competition is extremely intense, you may have to absorb
22 it all, and even take a lower profit margin. Would that
23 be correct?

23 MR. DAVIDSON: That is correct.

24 Q. Now, notwithstanding the difficulties of
25 the sugar business, it is a fairly profitable business
26 under competent management, as it has had competent manage-
27 ment in Canada.



1
2 MR. DAVIDSON: Well, it has had its ups and
3 downs. But the fact that there are still four companies
4 in the refining business, I would assume it would be
5 indicative that it is profitable.

6 Q. And would 1958 have been a fair year in
7 the sugar business?

8 MR. DAVIDSON: Yes.

9 Q. Your published reports show that you made
10 about 8 per cent on your net worth after taxes that year.

11 MR. DAVIDSON: I haven't calculated it as
12 a percentage, but we made a profit.

13 Q. And in that respect you are on the same
14 net return as Acadia Atlantic?

15 MR. DAVIDSON: I haven't calculated it, but I
16 rather doubt that.

17 Q. My calculation is 8.4 per cent for Acadia
18 Atlantic and 7.9 per cent for C. & D. for 1958.

19 MR. DAVIDSON: Well, our profits in the year
20 are operating profits. For the year ending March 31,
21 1959, and that meant that the operation was mostly in
22 1958, they were just over \$4 million, - \$4,300,000.
23 The Atlantic refiners were \$3,600,000, and in that
24 interval we operated three factories, two beet sugar
25 factories and one cane refinery, as compared with the
26 one of Acadia-Atlantic. I cannot verify the calculations
27 that you have put into the record.

28 Q. Well, they are based on the documents that
29 are before your assistant right there, the sheets that
30 he has before him, and if they are wrong, maybe you
could let the Secretary know what the figure is. Would



Davidson, cr-ex.
Wilson
(Sinclair)

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you do that?

MR. DAVIDSON: Yes.

Q. Now, Mr. Davidson, you want to maintain all the advantages of location that C. & D. have; you don't want them to be whittled away by government action or any other action; is that right?

MR. DAVIDSON: That is right.

Q. And if you were to build a refinery in the maritimes on the Canadian Pacific Railway, for instance, and have a service to central Canada, there is no regulation or government control that prevents you from building that factory and competing in the maritimes with, for instance, Acadia, is there?

MR. DAVIDSON: No.



1 Q. And there is no agreement between your
2 company and Acadia that you would build a refinery on
3 the Canadian Pacific, in Saint John, is there?
4

5 MR. DAVIDSON: No.

6 Q. And, indeed, you have in your brief said
7 that the advantages of a refinery being placed there are
8 so great that the people in the maritimes can always be
9 assured that there will be a refinery there?

10 MR. DAVIDSON: A refinery, yes.

11 Q. In other words, if you felt that you could
12 make a dollar down there you would move down there, but
13 what you are saying is that there isn't room for two?

14 MR. DAVIDSON: That is what I am implying, yes.

15 Q. But if in assisting the maritimes, the
16 government does assist an industry there to manufacture
17 and put the products into the central Canada market, what
18 the government is saying to industry is, "Here are the
19 advantages we give to industry, and we are attempting
20 to encourage industry to locate and ship from the mari-
21 times", and you see nothing wrong with that?

22 MR. DAVIDSON: No, I see nothing wrong with
23 that. We have never complained about the motives of
24 the maritime freight rates subsidy, which I would assume
25 you are referring to.

26 Q. Yes, and this is using freight rates to
27 carry out government policy; that is what the Maritime
28 Freight Rates Act is -- a government device, using
29 freight rates to carry out government policy to assist
30 a specific area?



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2 MR. DAVIDSON: I would agree with that.

3 Q. And in the matter of transportation it
4 would be your policy that railways, I take it, should be
5 financially sound and able to operate on business prin-
6 ciples?

7 MR. DAVIDSON: We are getting a bit farther
8 afield than we, I think, covered in our brief, but I think
9 in all fairness that in our selfish interests we would
10 agree with your statement.

11 MR. SINCLAIR: Then, I wish now to turn to
12 some specific questions in respect to freight rate mat-
13 ters and the freight rate structure, to take advantage
14 of the fact that we have here, Mr. Chairman, from C&D,
15 Mr. Clifford Wilson who is a technical traffic man, and
16 I would like to put the following questions to him.

17 Q. Mr. Wilson, how long have you been the
18 traffic manager of C&D Sugar?

19 A. I have been with C&D a little over two years.

20 Q. Prior to that you were in transportation
21 work?

22 MR. WILSON: Yes.

23 Q. You have had quite some years experience
24 in dealing with freight rate matters?

25 MR. WILSON: Yes, I have been in traffic work
26 since 1945.

27 Q. Under the existing law and freight rate
28 structure, there is differential pricing of freight rates
29 and a range of rates running from class rates through
30 non-competitive commodity rates, commodity rates, agreed



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2 charges, competitive rates and special arrangements
3 tariffs: do you think this is a proper type of structure
4 to move the traffic of Canada expeditiously and to give
5 proper reflections to the various requirements of
6 traffic?

7 MR. WILSON: I maintain that each individual
8 rate or set of rates should stand on its own feet.

9 Q. Would you include in that statement
10 statutory rates on grain?

11 MR. WILSON: Yes, just the same as we have
12 said in our brief about agreed charges from the mari-
13 times and competitive rates.

14 Q. That every segment ---

15 MR. WILSON: May I qualify that statement:
16 unless it is in the national interest, and then it is
17 up to the Board or this Commission.

18 THE CHAIRMAN: That is always the answer.

19 MR. SINCLAIR: Q. And if it is in the
20 national interest to maintain, for instance, the grain
21 rates in western Canada at their existing level, the
22 difference between that level and what would enable
23 this traffic to take its proper place in the freight rate
24 structure, it would be your opinion that this should be
25 covered by government assistance to make up that spread
26 between the existing rates and where the level would be
27 to place that rate in proper relationship with the
28 balance of the freight rate structure?

29 MR. WILSON: Yes, in my opinion it should be
30 a specific subsidy and given to the particular industries



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2 in need, but should not be covered by freight rates or
3 in the freight rate structure.

4 Q. When you say that do you mean the burden
5 should not be carried by the balance of the freight rate
6 structure -- is that what you have in mind?

7 MR. WILSON: Yes.

8 Q. I take it -- and if this is wrong, tell
9 me -- you have not studied the question of the adminis-
10 trative techniques or methods that might be used to
11 bring about the payment of the difference between the
12 existing rates and the level that would enable this
13 traffic to be rated in proper relationship to the balance
14 of the freight rate structure?

15 MR. WILSON: Which traffic are you referring
16 to?

17 Q. The grain traffic.

18 MR. WILSON: No, I have made no study on grain
19 specifically, no.

20 Q. Mr. Wilson, in general freight rate cases,
21 as a traffic man you would be interested in these in-
22 creases being applied in such a manner, I take it, as
23 nearly as can be would spread the increased revenues to
24 be derived from the rate increases, as nearly as may be,
25 over all segments of the freight rate structure?

26 MR. WILSON: Yes, I would agree with that in
27 principle. It is not always possible.

28 Q. Well, that is why I say "as nearly as
29 may be".

30 MR. WILSON: That is right.



1
2 Q. There are competitive factors and other
3 factors which must be taken into account in the appli-
4 cation of increases, and, as a traffic man, you would
5 have no objection to that?

6 MR. WILSON: No.

7 Q. Mr. Wilson, has it been your experience,
8 as a traffic man, that if you have problems with the
9 movement of your company's traffic, that you have a
10 means open to you to discuss these problems with other
11 traffic people in the railways and arrive at satis-
12 factory arrangements; has that been your experience?

13 MR. WILSON: Oh, yes, definitely, yes.

14 Q. I note that Mr. Davidson yesterday put
15 on the transcript that your traffic in 1958 was \$1.2
16 million?

17 MR. WILSON: That is right.

18 Q. And in arranging for the transportation
19 of your company's products it is your responsibility
20 to move them efficiently and at reasonable costs?

21 MR. WILSON: That is right.

22 Q. And there have been people who have
23 appeared before this Commission who have suggested, Mr.
24 Wilson, that there should be various things done with
25 the statute that would put into effect formulas of
26 different types for dealing with freight rates. As a
27 traffic man, and with direct responsibility for moving
28 traffic, would you be in favour of that, or would you
29 like to see the present system continued where all
30 rates must be just and reasonable, and, if you have



1 problems you deal with the railways and, failing that,
2 you can take your case to the Board?

3 MR. WILSON: Yes, that is true, and our basic
4 reasoning is that all rates should stand on their own
5 feet unless it is in the national interest to do
6 otherwise. Then, it is up to the government or the
7 Board, and we have had numerous occasions to negotiate
8 with you. We are free to negotiate with trucks and
9 with CSL; in fact, I find it very stimulating sometimes
10 to go before you people with our problems, and I have
11 always found the three forms of transportation very
12 cooperative.

13 Q. I take it, then, that your answer means
14 that you are not in favour of formulas being written
15 into the statute, but, rather, you wish to continue
16 whereby you can negotiate and deal with the people
17 responsible for supplying the service?

18 MR. WILSON: Yes, that is true. That is why
19 we do not feel that the application of the Maritime
20 Freight Rates Act on agreed charges and competitive
21 rates is just.

22 Q. It is for that reason that you object to
23 the application of government policy through freight
24 rates, because it can at times, according to you,
25 create differences or distortions that you don't think
26 should be there?

27 MR. WILSON: No, I don't think they should be
28 there, inasmuch as those rates from the maritimes that
29 are published to meet competition, which are agreed
30



1
2 charges and competitive rates, are supposed to be pub-
3 lished to meet competition, and I can only assume that
4 there must be just and reasonable cause for the railways
5 to publish them as such. Therefore, I do not see why
6 the taxpayers of Canada -- we, in particular -- should
7 be taxed to subsidize a competitor, and, basically, that
8 is what it is, in my opinion.

9 Q. But if government policy says that there
10 should be assistance given to manufacturers in the
11 maritimes and this is a national obligation, and the
12 only place they can raise that money is through taxes,
13 and they do so, that being determined, you are not
14 objecting to that kind of thing?

15 MR. WILSON: No, we have never objected to
16 the application of the Maritime Freight Rates Act pre-
17 viously. It is just recently that these reductions --
18 as a matter of fact, we have no axe to grind with the
19 railways under the present rates as set up.

20 Q. What you are saying is that you are really
21 not objecting to the maritimes having all the benefits
22 that they do have of climate and of labour supply and
23 of municipal tax structure, and even the assistance
24 that they have at the present time, but what you are
25 objecting to is their having too much of a good thing?

26 MR. WILSON: That is right, and, as Mr.
27 Davidson pointed out in his brief . . .

28 MR. SINCLAIR: That is all I have.
29
30



CROSS-EXAMINATION BY MR. HUME:

Q. Mr. Davidson, I think I would like to direct one question to you, which, perhaps, Mr. Wilson can answer. If you turn to page 11, paragraph 26, as I read the brief it seems to me that, sandwiched in between the points that you are making there, do I correctly interpret what you are saying is that you are not objecting to the Maritime Freight Rates Act but you have some criticism of it in that, as Mr. Wilson has just said, it applies to competitive rates and agreed charges, and, secondly, that it is not extended to competitive means of transportation.

MR. DAVIDSON: Mr. Chairman, we have no objection to the Maritime Freight Rates Act - the motives of it - or the agreed charges - the agreed legislation. We think that these were two beneficial genies that were originated by legislation but somehow one became impacted on the other and we wound up with a two-headed monster. We have no objection to each one fulfilling the purpose for which it was originally designed, and we have endeavoured to substantiate our conclusions by stating that when the Maritime Freight Rates Act was passed that really there wasn't any truck competition as we know it today; but things have changed and we feel that these two pieces of legislation were never intended to be one superimposed upon the other.

Q. May I interpret your answer to be this, that if the assistance is to be given under the Maritime Freight Rates Act, it is your company's view that the railways should not necessarily be the proper instrument



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2 of this assistance, but it should be available to all
3 competitive means of transportation.

4 MR. DAVIDSON: We have limited ourselves to the
5 comment that agreed charges which are brought in by the
6 railways to be competitive with trucks should, in all
7 fairness, not be supported by maritime freight rate sub-
8 sidy because the competitors whom the railways had in
9 mind at the time the agreed charge was brought in are
unable to collect that subsidy.

10 Now, we have not gone any further than that
11 in our thinking, as to whether the other means of
12 transport are entitled to maritime freight rate subsidy.
13 We had just pointed out that it seemed discriminatory
14 not only against sugar competitors who are operating
15 from central Canada, but also against other carrier
16 agencies that the maritime freight rates subsidy should
17 only be given to the railways when the railways are using
agreed charges.

18 Q. In paragraph 28, the very last portion
19 of the paragraph on page 11 and at the top of page 12,
20 your brief points out that this practice, or this
21 historical result - you say:

22 "...but it operates against those maritime carriers,
23 both trucks and steamship services who do not
receive a government subvention."

24 I take it from that - and perhaps Mr. Wilson would prefer
25 to answer this question - that your company's view is
26 that if the assistance is to be given - and you don't
27 object to the assistance being given - it ought to be
28 open to all competitive means of transportation? You
29
30



1
2 are nodding your head. Are you agreeing with that
3 statement?

4 MR. DAVIDSON: I am nodding to Mr. Wilson.

5 MR. WILSON: Well, our thinking on this matter
6 is that we know that the rates as published in the
7 tariff, competitive agreed charges, etc. - that there
8 is a subsidy on top of those rates which is paid to the
9 railways. In other words, trucking or steamship service
10 has to meet the rate as published in the tariff and we
11 know that the railways collect the difference between
12 that and what are the so-called normal rates.

13 Q. Then, may I just perhaps, take it one
14 step further? Is it my understanding of your position
15 that this started off with class or commodity rates
16 which receive the benefit of the Maritime Freight Rates
17 Act, moving, let us say, into central Canada; that
18 the trucking competition set in, which forced the railways
19 to put in a competitive rate - they lowered their
20 rate to meet the trucking competition - and then the
21 railways received assistance - and I don't want to get
22 into an argument of who gets it - but the railways get
23 the benefit of further assistance on that competitive rate
24 which is not available to the trucks?

25 MR. WILSON: That is my understanding.

26 Q. And in your thinking, as you point out in
27 your brief, that is something with which you are not
28 wholly in agreement?

29 MR. WILSON: Just let me make one thing clear.
30 The Maritime Freight Rates Act was established to take
care of a longer haul on the railway through Canada, and



1
2 in as much as that is the basic factor of the Maritime
3 Freight Rates Act we have no axe to grind in its appli-
4 cation on that. We say, then, "Fine; it should apply
5 to the railways," but I have made no study of whether
6 it should apply to trucks on all rates or not; and,
7 therefore, I would advance no opinion in that regard.

8 We are merely stating that competitive rates
9 which are published to meet competition should not receive
10 the benefit of the Maritime Freight Rates Act because they
11 wouldn't be there if there was no other carrier who has
12 advanced his rate to carry those goods which the railways
13 have had to meet to hold the traffic; and, therefore,
14 it is a burden on the Canadian taxpayer to pay that subsidy
15 to one particular carrier. It is a benefit to the
16 shipper, we have pointed out.

17 Q. At the time it was introduced, there was
18 really no truck competition from the maritimes into
19 central Ontario?

20 MR. WILSON: That is correct.

21 Q. And so the Maritime Freight Rates Act then
22 operated to reduce the rate to the shipper in the
23 maritimes into central Canada?

24 MR. WILSON: Yes.

25 Q. The trucking competition you mentioned
26 has produced the same result - the lower rate from the
27 maritimes into central Ontario?

28 MR. WILSON: Yes.

29 Q. And at the present time the railways can
30 have their competitive rate by receiving the assistance
of the agreed charge, but the competitor is forced into



1
2 a reduction; would you agree with that?

3 MR. WILSON: Yes, that is correct.

4 MR. HUME: Thank you very much.

5 BY COMMISSIONER GOBEIL:

6 Q. Mr. Wilson, in cross-examination by
7 Mr. Cooper you said that your sales in the maritimes
8 were infinitesimal.

9 MR. DAVIDSON: Yes.

10 Q. By that do you mean one per cent or ten
11 per cent?

12 MR. DAVIDSON: Well, I think that this is a
13 question which I can't pursue further. I mean, we
14 get into the area of sales information. I think all I
15 can say about it is that it is an infinitesimally small
16 quantity because of the absorptions that we have in that
17 area.

18 We have to pay an extraordinary amount of
19 freight. This is one of the instances which I was
20 quoting to counsel for the C. P. R. We have to absorb
21 this freight down there and we can't pass that on to the
22 customer; and we have also higher operating costs in the
23 four facets of our operation that we outlined in our brief
24 yesterday. But the proportion of our sales in the
25 maritimes is, I repeat, infinitesimally small compared
26 to our total sales and as compared to the total consump-
27 tion in the maritimes.

28 Q. You told us that Atlantic Sugar have
29 70 per cent of the sales in central Canada.

30 MR. DAVIDSON: That is quoted from their



1
2 presentation. That is their figure, not ours; but we
3 have quoted it; they have made that statement themselves.

4 Q. And your biggest market is in Ontario and
5 Quebec?

6 MR. DAVIDSON: Yes.

7 Q. You mentioned that, too. How could you
8 be the largest sugar firm in Canada if, in your biggest
9 market, you only have 30 per cent of the sales?

10 MR. DAVIDSON: Well, in Ontario and Quebec -
11 in the density markets.

12 Q. But you are selling in Ontario and Quebec
13 only 30 per cent of the sales?

14 MR. DAVIDSON: No. The 70 per cent figure,
15 Mr. Gobeil, is 70 per cent of the output by the Saint
16 John refinery, which is sold in Ontario and Quebec.

17 Q. On page 8, Mr. Wilson, you refer to the
18 fact that Saint John has an all the year round supply.
19 Would it have any effect on your organization if Quebec
20 was a year-round port?

21 MR. DAVIDSON: I can't see that it would have
22 any effect unless, of course, there was a sugar refinery
23 in Quebec.

24 There is a tremendous cost advantage, Mr. Gobeil,
25 in having a year-round port. As I stated yesterday,
26 this was, according to the submission by the Saint John
27 refinery, one of the primary considerations when they
28 located there and it results in substantial savings not
29 only in that you don't have to construct and maintain
30 a large building to keep winter supplies but also that
you don't have to take a substantial risk in the sugar



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2 market in the months when the St. Lawrence navigation is
3 frozen.

4 So that if any sugar refiner can be located
5 on a year-round port, there are great economies to be
6 had, and we have endeavoured to outline some of these
7 considerations in our appendix D.

8 Q. Does Atlantic Sugar have a refinery branch
9 in Montreal or somewhere else in the province of Quebec?

10 MR. DAVIDSON: No; they have only the one sugar
11 refinery, but they, of course, have warehouses, as I
12 understand it, for refining sugar at such points as
13 Montreal and Toronto. I don't know about Quebec City.

14 Q. On page 4 you show a definite and consider-
15 able advantage to Saint John compared to Montreal and
16 Toronto; but there must be some advantage to be in
17 Montreal, too, I mean?

18 MR. DAVIDSON: There is, looking at the map
19 and when you see the density of population you would
20 assume that there are logical advantages in being located
21 in the heart of the heavy consuming market, but as we
22 have endeavoured to show, Mr. Gobeil, the actual cost
23 factors are not nearly as advantageous as looking at the
24 map would indicate.

25 COMMISSIONER GOBEIL: Your figures are so good that
26 if I was a commercial agent for the maritimes I think
27 I would invite companies to come to the maritimes.

28 MR. DAVIDSON: I am not sure I heard all that.

29 BY COMMISSIONER MANN:

30 Q. I have a few questions to put to



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2 Mr. Davidson and Mr. Wilson.

3 My first one goes to Mr. Davidson because it
4 deals more with the philosophy of transportation than
5 the actual mechanics of it, but if Mr. Wilson feels he
6 can answer it I would be delighted to have it done that
7 way.

8 In paragraph 3 on page 1 there is a quotation
9 from a speech recently made by Mr. Crump, the President
10 of Canadian Pacific. Now, the pertinence of this quotation
11 is that really more mechanism should be allowed to work
12 in transportation and that government interference should
13 be cut down as much as possible.
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1 What I wanted to ask was whether your company
2 considers ~~it~~ an ideal state of affairs to have complete
3 reliance placed in transportation on the workings of
4 the market mechanism?

5 MR. DAVIDSON: We think that the answer to
6 that is Yes, although our experience, particularly mine,
7 is very much restricted to the sugar business and I
8 find it difficult to enter into a discussion on very
9 broad lines with an expert like yourself who knows much
10 more about these things than generalities. We are
11 specifically looking at this from the standpoint of
12 the sugar industry.

13 Q.. You have quoted this with approval, other-
14 wise you would likely not have quoted it?

15 MR. DAVIDSON: The decision of our company
16 to make this presentation might be summed up by this
17 quotation from Mr. Crump, and here we are with two
18 sugar refineries, one in Montreal and one in Toronto,
19 which, as I said a few minutes ago to Mr. Gobeil, you
20 would assume there were certain geographical advantages
21 in locating there, but because of the government subsidy
22 applied on top of the agreed charges this geographical
23 advantage which existed at one time has disappeared, and
24 we find today that there is no apparent financial
25 consideration or advantage in locating a sugar re-
26 finery in the heart of the density market. It
27 sounds a bit ridiculous, but there it is.

28 Q. And this development has come about
29 because the government acted; had the mechanism of
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2 the market place been allowed to work without govern-
3 ment interference this situation would not apply?

4 MR. DAVIDSON: I think it has been aggra-
5 vated by that, as we point out in one of our paragraphs
6 between the time we had decided to build a sugar re-
7 finery in Toronto and the time it turned its first
8 wheel, we had entered into a whole new era in the mer-
9 chandising of refined sugar because substantially re-
10 duced railway rates awarded to our competitors under
11 the mechanism of agreed charges had come into being
12 and the maritime freight rates subsidy had been in-
13 creased from 20 per cent to 30 per cent. I think you
14 will agree that these factors have certainly changed
15 our competitive position considerably.

16 Q. I will come back to that a little later.
17 Just to summarize this, and the meaning one can take
18 out of the quotation you have given, you feel to
19 Canadian Atlantic the same thing as Canadian Pacific
20 feels to Canadian National. Is that it?

21 MR. DAVIDSON: I have no idea how Canadian
22 Pacific feels about Canadian National.

23 Q. Who do you think the competitor is that
24 Mr. Crump refers to?

25 MR. DAVIDSON: Oh, I see. We have assumed
26 in this quotation in the field of transportation the
27 market mechanism has not been allowed to work in the
28 full measure of its effectiveness and to put transpor-
29 tation into orbit from an economic standpoint some
30 reliance should be given to market affairs and less to



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2 arbitrary decisions of government. Now, we have
3 assumed, and I think it can be confirmed from the
4 text from which that was taken, that Mr. Crump was refer-
5 ring to competition between freight users rather than
6 between Canadian Pacific and Canadian National. We
7 had no idea he was talking about the competitive railway.

8 Q. You understand that now, do you not, that
9 this was a reference to Canadian National, the competitor?

10 MR. DAVIDSON: Well, we did not realize that,
11 no.

12 Q. You do now?

13 MR. DAVIDSON: Yes, we accept your word.

14 Q. I just want it clear in the context.
15 About this location decision of your company, you say
16 that subsequent to making that decision certain develop-
17 ments occurred and you mentioned those, the increase in
18 the rate of subsidy under the Maritime Freight Rates Act
19 on July 1st, 1957, and the transformation of the rate
20 structure in central Canada between Atlantic and the
21 agreed charges. Now, supposing you had known this would
22 happen at the time when your company made its location
23 decision, would you have decided against building a
24 refinery in Toronto?

25 MR. DAVIDSON: That is a very large question
26 which I do not think I am competent to answer. When a
27 company considers a \$15 million investment I think it is
28 fair to assume that no one man makes the decision
29 because it is a very complicated one. It would seem
30 the natural place to build a sugar refinery in view of



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2 the fact that we had run out of capacity at Montreal to
3 take care of our portion of the increasing sugar market
4 in Canada which increases in direct proportion to popula-
5 tion. It seems a bit ridiculous that we have to con-
6 sider building it except in the heart of the heavy
7 consuming market. Whether we would have gone ahead
8 with it in view of this development which you have
9 mentioned now, I don't know, but we find that we are in
10 an absurd position right now where we have built a
11 sugar refinery in Toronto but that our costs are con-
12 siderably higher than they are in the maritimes and
13 because of the freight considerations on refined sugar
14 which we have mentioned in our brief, the logical ad-
15 vantages which one would expect just are not there.

16 Q. You could, I suppose, and your company
17 probably did, give consideration to your increasing
18 your capacity, your incremental capacity in Montreal?

19 MR. DAVIDSON: Oh, yes.

20 Q. And you decided against that?

21 MR. DAVIDSON: It was an impossible situation;
22 we just could not. We did not have the area for it.

23 Q. I see what you mean. Did the St. Lawrence
24 Seaway have any bearing on your location? Let me put
25 it this way, if the St. Lawrence Seaway had not become
26 a reality would there have been some feeling that
27 Toronto would not have been the optimum location?

28 MR. DAVIDSON: I think we have refined cane
29 sugar in Ontario at one of our beet sugar plants located
30 in Wallaceburg many times over the years since it was



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2 built fifty-eight years ago, nevertheless the seaway
3 was a consideration because you can get larger cargoes
4 without transshipping at Montreal. We have brought
5 in small ocean vessels all the way up to Wallaceburg
6 without transshipping, but, of course, in these days
7 of bulk handling there are certain advantageous con-
8 siderations in bringing in larger cargoes. Of course,
9 we have no illusions about the seaway as it affects our
10 business. We realize that through our shipping rates
11 we are going to have to pay for it over the next fifty
12 years.

13 Q. I would like to congratulate your com-
14 pany on its way of handling bulk merchandise. I read
15 your submission to the Seaway Tolls Committee and
16 also saw some photographs attached to it which show a
17 very progressive way of handling it.

18 Now, the situation with regard to the seaway
19 and sugar refining is something the same in the United
20 States and I want to read you a passage from a work by
21 Sargent Russell, a professor at the University of
22 Massachusetts. The report is entitled, "The
23 Potential Effects of the St. Lawrence Seaway and
24 Power Project on the New England Economy." This is
25 a report for the New England Governors' Committee on
26 Transportation, dated April 4, 1956. The quotation I
27 want to read you is this:

28 "It is quite possible that some transfer
29 of refining capacity from New England to the
30 Great Lakes area might occur since (1) some of



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2 the shippers which now deliver sugar to Boston
3 could sell into the Great Lakes. (2) The
4 Great Lakes area draws on New England for cane
5 sugar supply and (3) the water transport cost
6 is likely to be less than the present transport
7 costs from New England to the Great Lakes."

8 Now, you see there is a parallel over in the
9 United States, and being in the sugar business you are
10 probably familiar with what happens across the lake.
11 Would it be reasonable to assume that in the next ten
12 years there could be a cane sugar refining industry in
13 Cleveland? You know the Cleveland interests are
14 pushing for that?

15 MR. DAVIDSON: No, I did not know.

16 Q. My source again is Sargent Russell who
17 says that the Cleveland interests are optimistic about
18 that city's port. They can be expected to try to
19 bring considerable pressure to bear for the construc-
20 tion of a sugar refinery at that port.

21 MR. DAVIDSON: In building a sugar refinery
22 you are faced with a tremendous outlay of capital and
23 because it is such a large volume low-price commodity,
24 sugar refineries are not built very often. I think
25 ours in Toronto is the first one that has been built
26 for probably close to fifty years on this continent.
27 Now when the water considerations are worth while, and
28 I do not know what the prospects for additional refinery
29 capacity in the United States are because of the seaway,
30 but I do know that anybody that commits the capital



1
2 that is required in building a sugar refinery has got
3 to look very carefully at the prospects for selling
4 his commodity. We have been interested to read the
5 National Harbours Board comments on the operation of
6 the first year of the seaway and how it has affected
7 the port of Saint John. We note that they are not
8 downhearted about the movement of freight because they
9 seem to think there is every reason to believe that
10 the overall tonnage to the port of Saint John had shown
11 a 3 per cent increase last year and will continue at
12 about the same level.

13 Q. Did you ever see the recent report of
14 the St. Lawrence Seaway Authority?

15 MR. DAVIDSON: No, I have not.
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20 (Page 10394 follows)
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2 Q. Do you know whether the traffic volumes
3 have come up to expectations?

4 MR. DAVIDSON: The traffic --

5 Q. The traffic volume in the Seaway, has
6 it come up to expectations?

7 MR. DAVIDSON: I don't know.

8 Q. Mr. Davidson, in paragraph 4 of your sub-
9 mission, you talk about the beet sugar operations, and
10 you tell us there are two factories. You mention there
11 that the operations involved between 5,000 and 6,000
12 sugar beet families. Now, I asked this question in
13 Winnipeg when the beet growers appeared before the
14 Commission, and now I would like to ask it of you here.
15 Are the beet growers in receipt of any subsidy from the
16 federal government?

17 MR. DAVIDSON: Yes, they are.

18 Q. What is the purpose of that?

19 MR. DAVIDSON: Well, it comes under the
20 Stabilization Act to stabilize the price that growers
21 get for sugar beets. It is all paid to the grower.

22 Q. If that subsidy were not paid, would
23 there be any decline in beet production in southwestern
24 Ontario?

25 MR. DAVIDSON: I would definitely say yes.

26 Q. And that would have a detrimental effect
27 on the operations of your company?

28 MR. DAVIDSON: Since we are in the beet sugar
29 business too, I would hope not.

30 Q. You mean since you are in the cane sugar
business?



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2 MR. DAVIDSON: I interpreted your question to
3 state: Does this subsidy paid to beet growers create
4 any undesirable effect? I thought that was the question.

5 Q. No. I am sorry if I didn't make myself
6 clear. My question was: If that subsidy is helpful
7 to the beet growers and it was not being paid, would
8 there be a decline in beet production in southwestern
Ontario?

9 MR. DAVIDSON: Yes.

10 Q. And such a decline would be detrimental
11 to your company, would it not?

12 MR. DAVIDSON: It could be; it could be, if
13 it produced or if it evolved into an operation which
14 was uneconomically small as compared to our capacity.

15 THE CHAIRMAN: I think we will have a break.

16 ---Recess.

17 THE CHAIRMAN: Order, please.

18 MR. DAVIDSON: Mr. Chairman, before we start,
19 I wonder if I could correct an error in the transcript
20 of yesterday, page 10337, line 28. The date 1951
21 should be 1931, and the sentence should read:

22 "In 1931 in the prairie provinces, but mostly in
23 Manitoba, our company sold 50 million pounds of
24 sugar annually, but by 1954 this had dwindled to
10 million pounds annually...."

25 I am not sure who made the mistake, but it
26 should be 1931, rather than 1951, and I would appreciate
27 a correction.

28 THE CHAIRMAN: You had the whole market at
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2 that time?

3 MR. DAVIDSON: No, we didn't have the whole
4 market, unfortunately.

5 THE CHAIRMAN: But you didn't have the
6 Manitoba competition; this is what I mean.

7 MR. DAVIDSON: We didn't have the Manitoba
8 competition, that is correct.

9 THE CHAIRMAN: Mr. Mann?

10 COMMISSIONER MANN: Q. Mr. Davidson, I
11 suppose this is still another question for you.

12 In paragraph 5 on page 2 of your submission,
13 you give a figure of \$1,200,000 in 1958 for railway
14 freight. Now, since you said "railway freight" and
15 since we learned yesterday, I believe, that, for instance,
16 out of Wallaceburg and Chatham you had 20 per cent going
17 by truck, could you tell us what was your total trans-
18 port bill for 1958?

19 MR. DAVIDSON: I am sorry, we didn't bring
20 that figure because we anticipated just a discussion on
21 railway freight. I don't have the figure.

22 Q. I wonder, Mr. Davidson, whether we can
23 turn to appendix "A" to your submission, when you talk
24 about water freight rates for raw sugar. You mention
25 in that appendix that the "conference" agreement has come
26 to an end mainly at the request of Acadia-Atlantic and
27 that now each refiner can arrange its own charters.
28 Could you tell the Commission who transports your raw
29 sugar to (a) Montreal, Redpath No. 1, and (b) to Toronto,
30 Redpath No. 2?



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2 MR. DAVIDSON: Well, there are various
3 shipping lines that are involved, and we don't transport
4 our raw sugar by any particular shipping line. We buy
5 under many different arrangements; sometimes our raw
6 sugar purchasing agents may consider making their own
7 charters. But I think in most cases the sellers of
8 raw sugar charter the vessels and we pay under a c.i.f.
9 contract. So there is no particular line carrying our
sugar.

10 Q. Are there any special carriers for the
11 transportation of raw sugar? Is there something called
12 the sugar line?

13 MR. DAVIDSON: Yes, indeed there is.

14 Q. Who does that belong to?

15 MR. DAVIDSON: It belongs to the Tate and Lyle
16 sugar group. I think Tate and Lyle has an interest in
17 the company; Silvertown Shipping I think is the name of
18 the corporation. They have in recent years designed
19 raw sugar ships specially for carrying that cargo which
20 the name designates, and these ships have been designed
21 not only for their own movements of raw sugar but also
22 for other refiners, and these bulk raw sugar carriers
23 operate on the same charter basis as any shipping line;
24 their services are available. But the only advantage
is that those ships are specifically designed for the
carrying of raw sugar.

25 Q. These are the ones with the stainless
26 steel holds, are they not? They have special holds
27 for raw sugar.

28 MR. DAVIDSON: Oh, yes.
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2 Q. In appendix "A" still, Mr. Davidson, the
3 paragraph numbered 6, you give a figure for the immediate
4 future with regard to the premium you are paying over
5 Saint John for the water carriage of raw sugar to
6 Toronto. Now, could you give the Commission a figure
7 for the past year's operations? This is a forecast,
8 and I wondered whether you had the actual figure based
9 on your last year's figures.

10 MR. DAVIDSON: I am sorry, I can't give an
11 average figure. I would be glad to discuss it with
12 the Commissioner privately.

13 Q. I won't press the point if it is an internal
14 company matter.

15 MR. DAVIDSON: It is a bit embarrassing.

16 Q. In paragraph 9 of your submission, I
17 noted this question. I wonder what percentage of your
18 annual output of Redpath No. 1 could be marketed in the
19 maritime provinces if there was no refinery in Saint
20 John? That is percentagewise, Mr. Davidson. You know
21 your capacity and you know how much Acadia-Atlantic
22 sells in the maritimes, you know how much you sell.
23 I wanted to know how much of your capacity of Redpath
24 No. 1 could be sold to the maritime provinces.

25 MR. DAVIDSON: Would you give me a moment to
26 do some figuring?

27 Q. Certainly.

28 MR. DAVIDSON: Assuming we had all of the
29 maritime market, I would assume it would be roughly
30 20 per cent.

Q. Twenty per cent of capacity. You



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2 think that a refinery working at that volume would be
3 an economic operation?

4 MR. DAVIDSON: On just the 20 per cent?

5 Q. Yes?

6 MR. DAVIDSON: No, definitely not.

7 Q. You would require a larger market than the
8 Montreal market to have an economic scale.

9 MR. DAVIDSON: Yes, certainly, and we have
10 taken that into consideration in our brief, and we say
11 it is not only necessary but they have got a pretty
12 good chance of keeping or even expanding the 70 per
13 cent of output in central Canada which they presently
14 enjoy.

15 Q. What are the chief consumption points?
16 Would Toronto be the most important consumption point in
17 Ontario, in terms of volume?

18 MR. DAVIDSON: I think, Mr. Commissioner,
19 you have to include an area there because there are a
20 lot of food locations there, and I think you have to
21 treat the whole - the so-called horse shoe, from Oshawa,
22 Toronto, Hamilton down to Niagara Falls is certainly
23 the most important area for our output.

24 Q. Has there been a thickening of that horse
25 shoe, say, between Oshawa and the Niagara belt?
26 Is Windsor of lesser importance, for instance, than
27 Toronto?

28 MR. DAVIDSON: Oh, certainly. With the
29 population demand alone, Windsor must of necessity be
30 of lesser importance.

Q. I think I have a question of Mr. Wilson.



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Davidson, cr-ex.
Wilson
(Mann)

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I would like to turn to appendices "E" and "F". Looking at the rates to Windsor, Mr. Wilson, in 1948 the carload minimum weight was 40,000 pounds from Montreal to Windsor, in 1960 it is 30,000 pounds.

MR. WILSON: I beg your pardon?

Q. This is appendix "F", rates from Montreal to Windsor.

MR. WILSON: Yes, today it is 30,000 pounds.



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2 Q. The comparison there is between a 40,000
3 pound minimum in 1948 and a 30,000 pound minimum in
4 1960: Do you see it there on appendix "F"?

5 MR. WILSON: Yes.

6 Q. Turning down below that, in 1948 the Montreal
7 refiners had minimum weights of 60,000 and 50,000 avail-
8 able to them. Today they have 30,000 pounds, and the
9 piggyback rate which also carries a low minimum. I
10 wonder why -- perhaps we should turn over to appendix
11 "E" first, before I ask you: In all of the cases in
12 appendix "E" the minimum weights have increased and
13 brought about lower rates. Why was there no pressure
14 for an increase in the minimum weight, say, in appendix
15 "F" from Montreal to Windsor and from Montreal to London
16 -- Quebec has remained the same, I believe -- but let us
17 take Windsor and London: Why was there no pressure for
18 an increase in the minimum weight?

19 MR. WILSON: I am glad the Commissioner brought
20 up that particular question. If we were able to find
21 another warehouse in London we would be glad to see the
22 minimum weights increased. The minimum weights in this
23 particular area are tied in, possibly, with our warehouse
24 -- in London and Windsor. It is awfully hard in London
25 to get warehouse space, and I think that is basically the
26 answer to that. We have a 60,000 pound rate out of
27 Toronto on sugar into London, which is practically an
28 impossibility to use for that reason. We find it
29 awfully hard -- in fact, we have to leave it sometimes
30 in the car.

Q. Does Acadia-Atlantic have a warehouse in
London?



1 MR. WILSON: Yes, they do.

2 Q. Before No. 2 came into operation did you
3 make any water shipments to Windsor?

4 MR. WILSON: Oh yes, and we still do.

5 Q. Have you got the rates for that?

6 MR. WILSON: They are basically the same
7 as the rail rates. There is the water differential
8 there, but there is also cartage involved.

9 Q. Is the cartage not absorbed by Kingsway
10 Transport when you ship C.S.L.?

11 MR. WILSON: No, we have to deliver from their
12 warehouse, and we pay the cartage, and we also have
13 storage and handling, but that is beside the point.

14 Q. In appendix "F", where you do have an
15 increase in the minimum weights, St. Lawrence's rates
16 under agreed charge No. 606 have decreased quite consider-

17 MR. WILSON: That is quite correct.

18 Q. So, an inference could perhaps be drawn
19 that where a shipper was willing to increase the carload
20 minimum weight to quite some extent, he could expect
21 a benefit from a rate reduction. Would that be the
22 usual inference in traffic?

23 MR. WILSON: The usual one, but not particularly
24 so in our case. We have used Canada Steamship Lines
25 for a number of years in Toronto, and, of necessity,
26 we still must because they warehouse sugar for us in
27 Toronto and it is adjacent to our refinery, and therefore
28 they did not see fit to join the agreed charges, and
29 therefore we, of necessity, could not.
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2 Q. You are familiar with the principle of
3 incentive rates?

4 MR. WILSON: That is right.

5 Q. And you know that for a higher minimum
6 weight you can expect a lower rate?

7 MR. WILSON: Oh yes, definitely, sure.

8 Q. In paragraph 13 you talk about the
9 maritime traffic and traffic moving under competitive
10 rates and agreed charges and non-competitive commodity
11 rates and class rates. It is not your understanding,
12 I think, that just because a rate is competitive it
13 will never be increased when the Board authorizes a
horizontal percentage increase?

14 MR. WILSON: Oh, definitely not. The railways
15 will try and increase them as, in fact, they have increased
16 our competitive rates.

17 Q. So, the effect of any flat percentage
18 increase is not confined to non-competitive rates, but,
19 indeed, applied also to competitive commodity rates and
agreed charges that have escalators?

20 MR. WILSON: With escalator clauses -- I am
21 glad you make that point, because Atlantic's agreed
22 charges do not have an escalator clause.

23 Q. I have a note here somewhere -- agreed
24 charge 417, agreed charge 451, agreed charge 460,
25 agreed charge 545, and agreed charge 847, are all
agreed charges that are familiar to you?

26 MR. WILSON: They sound familiar.

27 Q. Do they not have any escalator clause?

28 MR. WILSON: There is only one agreed charge
29
30



1
2 with an escalator clause.

3 Q. Having no escalator clause is usual to
4 the sugar business, then, is it?

5 MR. WILSON: It seems that way, but I would
6 say that if the railways needed an increase in those
7 rates, and they increased our competitors' rates in
8 the same proportion, we would have no objection to
increasing ours if it was proved to be of necessity.

9 Q. What is important, I suppose, to all the
10 sugar refiners, is that a certain balance be kept in the
11 industry?

12 MR. WILSON: That is right; that is correct.
13 That is why we say this increase of the subsidy to
14 100 per cent would be detrimental to our company as well
as St. Lawrence.

15 Q. On page 6, Mr. Wilson, looking at that
16 rate from Montreal to London, for instance, you show a
17 58 cent raise, and then you have a footnote under the
18 Saint John location where you say that the free delivery
19 is worth the equivalent of 15 cents. You have a piggy-
20 back rate, I suppose, from Montreal to London, have you,
of 55 cents including pickup and delivery?

21 MR. WILSON: I am glad you brought that point
22 up. Yes, that rate was not put or asked for or needed
23 by our company and, in fact, we have never used it.

24 Q. But you can get it if you wanted it.

25 MR. WILSON: Well, I would not say that.
26 We tried it one day, and we called for a trailer and
27 could not get it.
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2 Q. Why?

3 MR. WILSON: None available. So, that rate,
4 as far as I am concerned, is a paper rate.

5 Q. If the trailer supply increased, of course,
6 the comparison would be a little different?

7 MR. WILSON: It could be.

8 Q. How many times did you try?

9 MR. WILSON: Just once. Our competitor,
10 possibly, has a big customer there, and they tell us that
11 the service is not -- they would rather piggyback it
12 to Toronto and truck it from Toronto, as far as service
13 is concerned.

14 Q. In appendices "E" and "F" generally,
15 and also in those rates that you gave on pages 6 and 7,
16 these comparisons must be of Saint John and the Ontario
17 markets?

18 MR. WILSON: And Quebec -- the major points
19 in regard to sales.

20 Q. Abstracting the city of Quebec and turning
21 to Ontario, since the construction of Redpath No. 2 you
22 do not ship from Redpath No. 1 to Ontario points?

23 MR. WILSON: Oh, definitely, yes, because we
24 have not had a full year's operations with our Toronto
25 refinery. We don't make all the products there, and
26 therefore we can't very well make the comparisons of
27 something that has not existed for a year.

28 Q. When your operation in Toronto is complete,
29 when you are really working, then you can make a comparison
30 can you?



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2 MR. WILSON: Well, I would think so, but there
3 again it is up to management what is produced there.

4 I can make a comparison as far as transportation is
5 concerned, definitely, on the products that are produced
6 there.

7 Q. You can do that now to some extent.
8 You gave us some rates yesterday, and I noted them down:
9 To Wallaceburg, which has the same rate as Windsor, for
10 a 100,000 pound car you pay 16 cents.

11 MR. WILSON: What was that again?

12 Q. To Wallaceburg from Toronto, on a 100,000
13 pound car, you gave us a figure of 16 cents?

14 MR. WILSON: I said from Wallaceburg to
15 Toronto.

16 Q. Oh, I have it from Toronto to Hamilton.

17 MR. WILSON: And from Chatham. These are
18 from Chatham and Wallaceburg to Toronto and Hamilton,
19 and if the transcript is wrong I would like to correct
20 that.

21 Q. Well, the transcript may be correct; I
22 haven't checked it against the transcript.

23 MR. WILSON: Well, those are quite correct.
24 Those are the rates from Chatham and Wallaceburg to
25 Toronto and Hamilton.

26 Q. Have you made any shipments at all from
27 Toronto by rail to London?

28 MR. WILSON: Yes.

29 Q. Under what rate?

30 MR. WILSON: Twenty and 22 cents.

Q. That would be to London?



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MR. WILSON: Yes.

Q. And to Hamilton?

MR. WILSON: From Toronto?

Q. Yes.

MR. WILSON: I think we have had one car.

Q. You truck from Hamilton to Toronto?

MR. WILSON: Yes.

Q. At what rate?

MR. WILSON: Twelve, 13 and 14 cents.

Q. So when you restate this comparison you have, and you put Toronto into that comparison with Saint John, the situation is probably a little different, isn't it?

MR. WILSON: Possibly, but one must consider our added costs there.

Q. Oh, yes.

MR. WILSON: There again, in making a comparison I would have to take costs such as management has given us here and make a comparison.

Q. I was interested in paragraph 17; this seems to be a reshipment operation. When you ship from Montreal, from Redpath No. 1 to these smaller Ontario points that are mentioned in this paragraph, do you ever do any re-shipping on the same basis out of the warehouse in Toronto, say?

MR. WILSON: Yes, as do our competitors.

Q. This was a common experience, was it?

MR. WILSON: This has just come -- as a matter of fact, our competitors from Saint John filed a rate proposal with the Canadian Transport Tariff Bureau



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2 in Toronto, which can be produced if this Commission
3 requests it, which proposed truck rates from Toronto to
4 practically all Ontario points, even as far east as
5 Ottawa.

6 Q. Is part of the reason for this operation
7 that you can bring in, say, a 100,000 pound car to your
8 warehouse in Toronto, break the load there and ship to
9 a small place like Bradford by truck, and only ship
10 10,000 -- they could not take 100,000, and you must of
necessity break up?

11 MR. WILSON: Yes, most of our wholesalers want
12 30,000 or 40,000 pounds, and there are a lot of whole-
13 salers today that are not on rail sidings, even in the
14 city of Toronto.

15 Q. So that, quite independent of the rates,
16 the commercial requirements require the procedure that
17 you set out in paragraph 17?

18 MR. WILSON: Yes, and all refiners are in the
19 same category there. Even with a refinery in Toronto,
20 we have three outside warehouses, and our competitor
21 from Saint John has a new warehouse there, and our com-
22 petitor from Montreal has a warehouse there too. So
23 I would assume that all costs are equal in warehousing
24 and distribution in those points.

25 Q. This is common practice in the industry?

26 MR. WILSON: Yes.

27 Q. In paragraph 18 you give some rates to
28 Newfoundland. The agreed charge you have to Newfoundland,
29 and I understand Acadia-Atlantic has one too -- these
30 things seem to come in pairs?



1
2 MR. WILSON: That is right.

3 Q. The agreed charge you have -- is it 100 per
4 cent?

5 MR. WILSON: Ninety-five.

6 Q. And so is Atlantic's, of course?

7 MR. WILSON: I would assume; I would have to
8 check it to be sure. I assume it is basically the same,
9 yes.

10 Q. The way I look at it, this is a twinning
11 operation all the way through?

12 MR. WILSON: Basically.

13 Q. Before that agreed charge was in effect,
14 did you have any quantity rates to St. John's and
15 Cornerbrook by Clark Steamships?

16 MR. WILSON: Yes.

17 Q. And you shipped that way?

18 MR. WILSON: Yes.

19 Q. At that time was your rate out of Montreal
20 lower than the rate out of St. John's?

21 MR. WILSON: No, not to my knowledge, no.
22 I believe theirs was a little less than ours. If I
23 recall correctly -- I can make a note and supply it to
24 the Commission, but I think you will find it is basically
25 a nickel difference.

26 Q. You were still within the ball park from
27 Montreal to St. John's by water, were you?

28 MR. WILSON: Yes, that is right, but, let us
29 be frank, the rails offered us, not lower rates-- they are
30 basically the same as the water rates, except we have a
year-round operation here, whereas with Quebec we didn't.



1
2 Q. I have a question to Mr. Davidson. Are
3 there any large industrial users of sugar in Newfoundland?

4 MR. DAVIDSON: This is an area of Canada I
5 know less about. There certainly are industrial users
6 that I know of: There is some candy manufacturing;
7 there is some bottling; and I assume there are bakers,
8 and I think Newfoundland has its share of the industries
9 that have developed across Canada -- I mean food industries
10 -- sugar consuming industries -- which, of course, to us,
11 is the only kind of industry there is.

12 Q. In paragraph 23, Mr. Wilson, you refer
13 to the increase in the Maritime Freight Rates Act sub-
14 vention on outbound traffic from 20 to 30 per cent: Do
15 you think that was unwarranted?

16 MR. WILSON: Would you please say that again?

17 Q. This increase in 1957 was unwarranted?

18 MR. WILSON: As far as agreed charges are
19 concerned, certainly, because the rates are published
20 to meet competition, and I am of the firm opinion that is
21 a misuse of taxpayers' money.

22 Q. It is not only agreed charge; it is
23 competitive rates?

24 MR. WILSON: Competitive rates, definitely.
25 I feel very strongly about that, because I don't think
26 one form of transportation should be discriminated against.
27 I think each one should stand on its own feet.

28 Q. With regard to this question as to whether
29 or not the Maritime Freight Rates Act subvention should
30 be paid on competitive rates and agreed charges, have
you ever familiarized yourself with a judgment of the



1
2 Supreme Court of Canada in 1933, I believe; the citation
3 for that is 41 C.R.C. 56 Maritime Freight Rates Act,
4 Interpretation; do you know anything about that judgment?

5 MR. WILSON: Yes, but that is 1941, Mr. Mann.

6 Q. 1933.

7 MR. WILSON: Oh 1933 -- pardon me, yes. We
8 are dealing with 1960 now, and the competitive aspects
9 of transportation.

10 Q. What I was going to ask you is that under
11 the law as it stands now, I suppose, and as it has been
12 interpreted by the Supreme Court of Canada, the railways
13 had no choice but to make the subsidy applicable to the
14 agreed charges and competitive rates?

15 MR. WILSON: That is correct, but we are
16 saying that should be amended.

17
18 (Page 10420 follows)
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1 Q. Yes, I understand that. So you see,
2 when you talk in paragraph 30 about competitive rates
3 "would stand on their own feet as was originally
4 intended", that is not really on all-fours with the
5 maritime freight rates?
6

7 MR. WILSON: Yes, competitive rates would
8 stand on their own feet as originally intended.

9 Q. Originally intended where?

10 MR. WILSON: In agreed charge legislation.

11 Q. Not under the Maritime Freight Rates Act?

12 MR. WILSON: No.

13 Q. So that "originally intended" does not
14 refer to the Duncan Commission?

15 MR. WILSON: No.

16 Q. Can we turn to Appendix "H", Mr. Wilson?
17 You have a comparison there of rates from Montreal and
18 Saint John to points in select territory. When I
19 looked at this Appendix I noticed that while the heading
20 is "To points in select territory", there are no rates
21 shown to Nova Scotia and no rates shown to Prince
22 Edward Island -- the Newfoundland situation was covered
23 separately, and I therefore do not refer to that.

24 MR. WILSON: That is quite correct.

25 Q. Well, now, may I ask you a question about
26 this: do you reship sugar over Saint John into Nova
27 Scotia and Prince Edward Island?

28 MR. WILSON: Yes, but I would refer a moment
29 to the Maritime Freight Rates Act which says to a person
30 and/or industry.



1
2 Q. You are away ahead of me; I was just
3 going to ask you what the rates were.

4 MR. WILSON: You asked us if we reshipped
5 and I want to tell you why we reship. We have agents
6 in Halifax and in Saint John who are maritimers and it
7 says "people" in the Act, therefore they are entitled
8 to it, they can ship from Saint John and Halifax,
9 wherever they like in the maritimes under the Act and
10 get the benefit of it.

11 Q. Mr. Wilson, this is certainly not a
12 question I was going to take issue with at all. This
13 matter is now before the Board and I think we had
14 better let the Board decide it.

15 MR. WILSON: I quite agree with you.

16 Q. What I wanted to find out is what your
17 rate is to Halifax through Montreal?

18 MR. WILSON: The 30-cent rate to Saint John
19 plus the rate beyond.

20 Q. In paragraph 29 when you talk about an
21 aggregate maximum amount that could be made available
22 is what you have in mind something like the bridge
23 subsidy, say X million dollars be stipulated per year?

24 MR. WILSON: Yes, possibly the same amount
25 of subsidy as paid in 1958 or 1959.

26 Q. And that to be set forever, of course?

27 MR. WILSON: Yes, or at the discretion of
28 the government. That is something the government would
29 have to set.

30 Q. I have one more question, Mr. Wilson.



1 Before you had a refinery in Toronto did you have to have
2 a bulk storage warehouse for refined sugar in Toronto?
3

4 MR. WILSON: No, we had no bulk sugar ware-
5 house in Toronto.

6 MR. MANN: Thank you very much.

7 THE CHAIRMAN: Mr. Platt?

8 BY COMMISSIONER PLATT:

9 Q. Just so I will understand the industry a
10 little bit better, what is the situation in regard to
11 refined sugar coming into Canada?

12 MR. DAVIDSON: Well, we have earned our lumps
13 of refined sugar coming into Canada at times -- rather an
14 unfortunate use of metaphor -- but we have refined
15 foreign sugar that has come in from such countries as
16 Cuba and Mexico; is that what you are talking about, or
17 the raw product?

18 Q. No, the refined product.

19 MR. DAVIDSON: At the present time so far as
20 I know and hope, right at this moment there is not any
21 foreign refined sugar. Of course, this is always subject
22 to change without notice.

23 Q. Do you have any protection against this?

24 MR. DAVIDSON: We have a very modest protection
25 which is thirty years old and which is in our view quite
26 inadequate.

27 Q. What is it?

28 MR. DAVIDSON: The protection of refined sugar;
29 well, the effective protection for cane refined is about
30 half a cent a pound.



1
2 Q. Just one other question on this bulk raw
3 coming into the country; did I understand you to say
4 that this requires special ships or does it not?

5 MR. DAVIDSON: No, sir, it does not. There
6 are some special ships that have been designed but we
7 started shipping raw sugar in bulk form many years ago
8 and I think we proved pretty conclusively that with
9 some difficulty and headaches you can unload raw sugar
10 from just about any kind of ship.

11 Q. Has it been your experience in the last
12 few years that rates on this vary greatly from time to
13 time?

14 MR. DAVIDSON: On raw sugar movements, yes,
15 indeed. I think with the little I know about transpor-
16 tation that the shipping business is just about as hair-
17 raising as the railway business.

18 MR. PLATT: Thank you very much.

19 THE CHAIRMAN: Mr. Hill, you wanted to say
20 something?

21 MR. HARRY HILL (President, Acadia-Atlantic
22 Sugar Refineries Limited): Mr. Chairman, I thank you
23 for this opportunity. I am president of the Acadia-
24 Atlantic Sugar Company and I very much enjoyed the
25 opportunity of presenting our company's brief to this
26 Commission in Fredericton last November. We appreciated
27 that gracious hearing and the expression of interest in
28 our presentation by you and by your fellow Commissioners.

29 You may recall that during our hearing you
30 stated that the Commission would reserve the right to call



1 on us for further suggestions from time to time and you
2 asked if I would be agreeable to giving you any further
3 help that I could. I assured you then, and I repeat
4 now, that we are anxious to assist you in your important
5 deliberations in every way that we can. We pointed
6 out in Fredericton that we felt we were helping our-
7 selves and all maritime industries by helping you to
8 clearly understand all the facets of the transportation
9 problems besetting us. Our brief had been carefully
10 prepared on the basis of honest fact and was presented
11 to you as a responsible and serious example of the
12 critical transportation and competition problems facing
13 maritime shippers present and potential.

14 You will recall that we stated that our firm
15 was the largest rail shipper of maritime products and
16 our total rail shipments of refined sugar we explained
17 exceeded those of all other Canadian sugar refineries
18 combined.

19 It was only late Monday afternoon that we
20 learned that a brief was to be submitted here yesterday
21 that takes the form of a challenge and a contest of the
22 substance of our November brief. When we received
23 this information I came immediately to Ottawa and
24 borrowed a copy of the Canadian and Dominion Sugar
25 Company brief. I had only the opportunity of scanning
26 this briefly before the hearings commenced yesterday.
27 It was not until yesterday afternoon that I received a
28 copy of the brief. Our company takes a very grave
29 view of the inferences implied and the obvious errors
30



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2 in statements contained in this presentation presented,
3 as it has been, by the public relations officer of our
4 foreign control competitor. We sincerely feel that it
5 is in the interest of this Commission and its pursuit of
6 fact, and in the interests of our firm and the maritimes
7 generally, that we be given a reasonable opportunity to
8 study this presentation and subsequently to have the
9 opportunity of cross-examination. We are in the
10 immediate position of a problem, the vice-president of
11 our company who has been vice-president for many years,
12 acts as general counsel for the firm, and yesterday and
13 continuing today he has been tied up in court in
14 Toronto, and has been unable to be here. You will
15 understand because of this we have not had the oppor-
16 tunity of proper presentation for cross-examination.

17 We, therefore, ask for your understanding and
18 your assistance by arranging for these witnesses to
19 reappear before you at a convenient time so that we
20 may be permitted a fair cross-examination and we would
21 ask also that we be given the opportunity of filing an
22 answering brief.

23 THE CHAIRMAN: Referring to what you have
24 said, Mr. Hill, it is quite true that you had no know-
25 ledge of the brief that has been filed here today but
26 it is equally true they had no knowledge of the brief
27 being filed by you in Fredericton. So when you ask
28 for the right to cross-examine, they would have the
29 right to cross-examine you as well.

30 Now, so far as we are concerned, we have not



1
2 the time to engage in a real hassle over the sugar
3 business and its rights and wrongs but we are most
4 interested in the welfare of the country and the mari-
5 times particularly since your brief was presented in
6 connection with the maritimes. What we have suggested
7 is that you have full opportunity to answer this brief
8 and that you file with us any memorandum you wish
9 indicating, as you say, the wrong inferences that are
10 implied and the errors in the brief. A copy of
11 that memorandum could be sent to the other side and
12 then later if we wish to call either or both of you
13 back we will do so.

14 MR. HILL: That is very generous of you
15 but on the other hand may I point out that throughout
16 our country this morning there has been carried in the
17 press the results of the commercial propaganda sounding
18 off for which this Commission was used yesterday. I
19 feel the honest facts are very important to your
20 Commission in your deliberations. I think a grave,
21 serious harm will be done to our firm unless we have
22 the opportunity of publicly bringing out, through
23 cross-examination, actual facts.

24 THE CHAIRMAN: Well, we have no respon-
25 sibility for the press at all, but I am sure the press
26 here will be glad to indicate in any report of today's
27 hearings that you appeared here and have challenged the
28 statements as made by the C&D yesterday.

29 MR. HILL: Thank you, sir. When we presented
30 our brief in Fredericton we presented it as an example



1
2 of the transportation problems of the maritime provinces;
3 it was meant only as that, and we did not intend that
4 this would become a continuing battleground in front of
5 you.

6 THE CHAIRMAN: I remember very well your
7 presentation, Mr. Hill, and I remember how others who
8 presented briefs after you got on your bandwagon.

9 MR. HILL: I hope more will.

10 THE CHAIRMAN: Well, then, can we expect a
11 memorandum from you within the next two weeks, Mr. Hill?

12 MR. HILL: Yes, sir.

13 THE CHAIRMAN: And send a copy to Mr. Davidson.

14 MR. HILL: Yes, sir.

15 THE CHAIRMAN: Thank you, Mr. Davidson and
16 Mr. Wilson.

17 MR. DAVIDSON: Thank you very much. We
18 appreciate this opportunity of appearing before the
19 Commission and we would like to thank all here for the
20 contributions they have made to this discussion.

21 THE CHAIRMAN: It may be that later we will
22 call on you again after we have perused the record.
23 We have a great deal of work to do but we want to
24 give consideration to everything that comes before us.
25 Thank you very much.

26 There is nothing this afternoon by way of
27 evidence, so we will adjourn until tomorrow morning at
28 ten o'clock.

29
30 ---Adjournment.

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